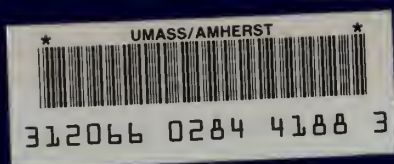


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MASSACHUSETTS SMALL BUSINESS DEVELOPMENT CENTER

START THINKING EXPORT!

MSBDC NETWORK

University of Massachusetts/Amherst - School of Management

Boston College - Carroll School of Management

Clark University - Graduate School of Management

Salem State College - Division of Continuing Education

University of Massachusetts/Dartmouth - College of Business and Industry

START THINKING EXPORT!

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University of Massachusetts
U.S. Small Business Administration
Executive Office of Economic Affairs
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ABOUT THE AUTHORS...

Jack S. Wolf is a retired Professor of Marketing and the former Director of the Small Business Institute program at the University of Massachusetts/Amherst. For over seven years, management teams of students under the direction of Professor Wolf provided export assistance to over 125 small to mid-sized companies in central and western Massachusetts.

Jean B. Romeo is an Assistant Professor at the Carroll School of Management, Boston College. She received her Ph.D. from the University of Massachusetts/Amherst and has worked with the MSBDC in Amherst helping small businesses to develop export marketing plans.

ABOUT THE MSBDC...

The Massachusetts Small Business Development Center is a partnership of the U.S. Small Business Administration and the Executive Office of Economic Affairs through the University of Massachusetts/Amherst under cooperative agreement SB-2M-00040-12. The MSBDC is a resource of SBA's Business Development Service Network. For further information regarding SBA, State or MSBDC programs, please contact the MSBDC State Office at (413) 545-6301.

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Any opinions, findings, conclusions, or recommendations expressed in this report are those of the authors and do not necessarily reflect the views of the U.S. Small Business Administration, Executive Office of Economic Affairs, Massachusetts Office of Business Development, Massachusetts Small Business Development Center or the University of Massachusetts.



UNIVERSITY OF MASSACHUSETTS
AT AMHERST

Small Business Development Center

School of Management
Amherst, MA 01003
Phone: (413) 545-6301
Fax: (413) 545-1273

Dear Small Business Owner:

On behalf of the Massachusetts Small Business Development Center (MSBDC) program, I wish to welcome you to our newest publication, *Start Thinking Export!*

As the global marketplace becomes accessible to more and more companies, the ability to successfully compete in these new marketplaces will be important to the economic health of your business. *Start Thinking Export!* was developed to provide you, the small business owner, answers to basic, but very important, questions regarding the process of international trade.

Start Thinking Export! has been specifically written so that whether you're new to exporting or a seasoned veteran, it will be a handy reference guide providing important information and resources to assist you in your international trade endeavors.

One of the things that we recognized in developing *Start Thinking Export!* was that exporting is an everchanging process with new information evolving on a daily basis. We purposely developed *Start Thinking Export!* in a loose leaf format so that from time to time, we will be providing you with updated information on new markets, regulations and other pertinent information. Therefore, please complete the enclosed questionnaire following this letter and mail it to the MSBDC so that we can provide you with the updates to *Start Thinking Export!*

The Massachusetts Small Business Development Center program is pleased to be involved in **PARTNERS FOR TRADE**, the Governor's aggressive campaign to increase Massachusetts exports. The MSBDC joins the Executive Office of Economic Affairs, Massachusetts Office of International Trade, Massport, Massachusetts Office of Business Development, Bay State Skills Corporation, U.S. Small Business Administration and the U.S. Department of Commerce in the development of a wide array of opportunities to support small to medium-sized firms enter the international marketplace. Please familiarize yourself with the services of these and other providers to support your activities.

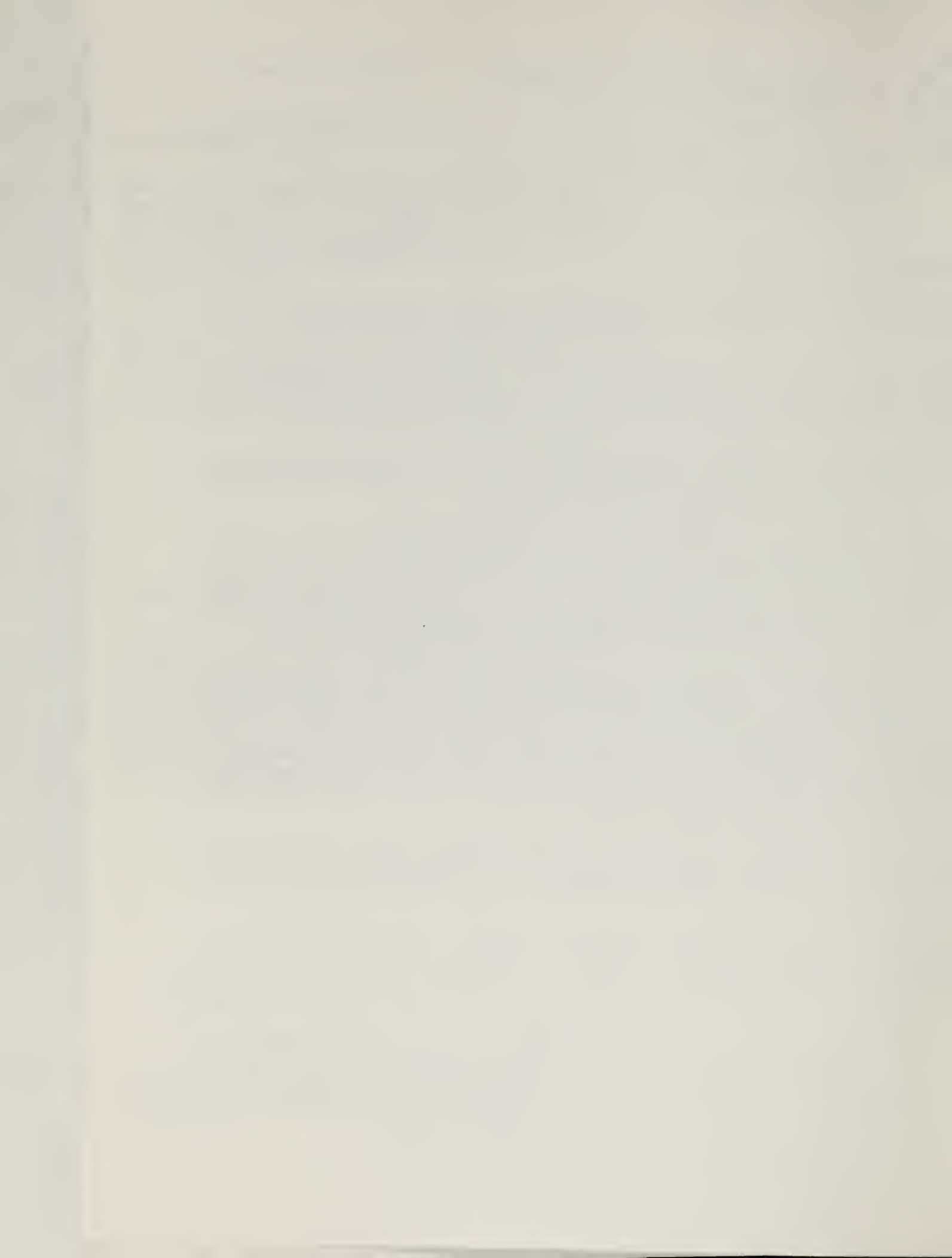
As you are well aware, your business decisions need to be based on accurate information that is readily available. We hope that *Start Thinking Export!* is the initial reference guide you use as you begin the process of looking at international markets as a place to sell your goods and services profitably.

From all of us at the Massachusetts Small Business Development Center program, we wish you success in your business decisions. If we can be of assistance to you, please do not hesitate to contact us.

Sincerely,

A handwritten signature in dark ink, appearing to read "John F. Ciccarelli".

John F. Ciccarelli
State Director



MASSACHUSETTS SMALL BUSINESS DEVELOPMENT CENTER NETWORK

The **Massachusetts Small Business Development Center (MSBDC)** program is a partnership of the U.S. Small Business Administration, Executive Office of Economic Affairs/Massachusetts Office of Business Development and a consortium of higher educational institutions led by the University of Massachusetts at Amherst, and including Boston College, University of Massachusetts/Dartmouth, Salem State College, Clark University and the private sector.

This partnership was developed to provide new and existing small businesses in the Commonwealth high quality programs of management and technical assistance counseling and education and training programs. Through a network of **five regional centers**, the MSBDC provides counseling and training assistance to thousands of small businesses on an annual basis. Counseling services include, but are not limited to, assistance in developing a business plan, identification of markets, bookkeeping, cash flow analysis, personnel issues, and other important areas of management.

In addition to the regional centers, **three specialty centers** provide specific technical and management expertise to companies throughout the state. The specialty centers are:

- **Capital Formation Service** provides assistance to companies seeking unconventional sources of financing, including state and federal financing programs, venture capital, and private investment.
- **International Trade Program** provides assistance to firms wanting to enter international markets.
- **Minority Business Assistance Center** provides management counseling and training programs to the multi-ethnic communities of Greater Boston.

Since September of 1980, the MSBDC has counseled and trained over 50,000 clients; assisted companies in raising over \$129 million in financing; and helped create over 6,000 new jobs through management assistance. For further information on the MSBDC, please call the State Office at the University of Massachusetts or contact the closest regional office (addresses listed on following page).

**MASSACHUSETTS
SMALL BUSINESS DEVELOPMENT CENTER NETWORK**

State Office

University of Massachusetts
School of Management, Room 205
Amherst, MA 01003
(413) 545-6301

Regional Centers

Central Mass Regional Office

Clark University
Graduate School of Management
950 Main Street
Worcester, MA 01610
(508) 793-7615

Metro Boston Regional Office

Boston College
Rahner House
96 College Road
Chestnut Hill, MA 02167
(617) 552-4091

North Shore Regional Office

Salem State College
197 Essex Street
Salem, MA 01970
(508) 741-6343

Southeastern Mass Regional Office

University of Massachusetts/Dartmouth
P.O. Box 2785 - 200 Pocasset Street
Fall River, MA 02722
(508) 673-9783

Western Mass Regional Office

University of Massachusetts/Amherst
101 State Street - Suite 424
Springfield, MA 01103
(413) 737-6712

Specialty Centers and Programs

Capital Formation Service

Boston College
96 College Road - Rahner House
Chestnut Hill, MA 02167
(617) 552-4091

International Trade Program

University of Massachusetts/Amherst
School of Management, Room 205
Amherst, MA 01003
(413) 545-6301

Minority Business Assistance Center

University of Massachusetts/Amherst
250 Stuart Street, 12th Floor
Boston, MA
(617) 287-7016

INTERNATIONAL TRADE DATA NETWORK

The **Massachusetts Small Business Development Center (MSBDC)** is pleased to announce a very unique pilot project entered into with the Rhode Island Export Assistance Center (RIEAC), a program partially funded by the Rhode Island Small Business Development Center.

The MSBDC is linked directly to the RIEAC's International Trade Data Network (ITDN). This trade lead database service provides daily trade leads from the U.S. Department of Commerce, U.S. National Marine Fisheries Services, World Trade Centers and Infotrade.

There are several unique factors in this database system:

- The trade leads are manipulated to synchronize with the latest Standard Industrial Classification (SIC) system.
- Search criteria includes two SIC codes, and three text string searches that may pick up otherwise misclassified leads through matching the product description field.
- The system allows multi-client searches to run simultaneously, thus allowing an automated printing of new trade leads on a bi-weekly or more frequent basis.
- There will be additional statistical and marketing information available on line via the RIEAC system, including, but not limited to, Department of Commerce newsletters, trade fair calendars, DOC county desk officers, Canadian software companies. Other pertinent marketing information is being planned for the future.

This pilot project is part of the Massachusetts Small Business Development Center's commitment to assist Massachusetts companies in gaining access to succeed in the global economy.

For further information on the International Trade Data Network, write the Massachusetts Small Business Development Center at the School of Management, Room 205, University of Massachusetts, Amherst, MA 01003 or call (413) 545-6301.



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<https://archive.org/details/startthinkingexp00wolf>

**Please fill out and return so that we may send you future updates for
START THINKING EXPORT!**

Name of Company: _____

Address: _____

City: _____ State: _____ Zip: _____

Owner's Name: _____

Please check the category that closest indicates your type of business.
Check only one.

☐ Manufacturing

☐ Retail

☐ Service

☐ Other: _____

☐ Wholesale

Number of Employees: _____

Gross Revenue:

☐ 0-\$150,000

☐ \$1 million-5 million

☐ \$150,000-500,000

☐ \$5 million-10 million

☐ \$500,000-1 million

☐ \$10 million and above

Are you exporting currently? ☐ Yes ☐ No

What percentage of your sales are international? _____ %

What country do you primarily export to? _____

Please return to:
Start Thinking Export!
Massachusetts Small Business Development Center
School of Management, Room 205
University of Massachusetts
Amherst, MA 01003



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START THINKING EXPORT !!!

Why should your small business consider exporting?

How can your business benefit from exporting?

Why aren't you exporting?

What is required to become a successful exporter?

WHY SHOULD YOUR SMALL BUSINESS CONSIDER EXPORTING?

Small businesses are obtaining a significant share of exports. They are discovering that they can be competitive abroad. The markets being attacked are not just in Canada and Western Europe, they extend to Japan, China, South America, and mid-Eastern countries as well. There is a foreign market out there. Go after it!

More small companies are exporting, shouldn't you?

Exporting is not all that difficult. Most uncertainty and reluctance are due to a lack of knowing how to go about it. The purpose of this guide is to help you with your initial export endeavors. You should take the time to get acquainted with some of the basics of what it takes to export successfully in a foreign market. The sections that follow provide you with insight into how to get started, what your exporting plan should include, how to get your product abroad, how to get paid, and export financing programs available.

HOW CAN YOUR BUSINESS BENEFIT FROM EXPORTING?

Small companies that limit themselves to the domestic market fail to capitalize on the benefits that accrue from developing new markets abroad. These benefits include:

- **New opportunities for growth.**
- **A means to offset cyclical and seasonal variations in domestic sales.**
- **An alternative for those industries facing intense competition from foreign companies selling in the U.S.**
- **A means for extending the life of some products (an older generation technology in the U.S. can be an emerging technology in many foreign markets).**
- **Success abroad will often have positive impact on a company's domestic image.**
- **An international experience will sharpen management's ability to compete domestically by responding to preferences of new types of diverse buyers and users.**

The management of a small, neophyte firm can pace itself as it ventures into the international arena. There are sequential stages of commitment depending upon individual circumstances, capacity, and capabilities. The topics presented here provide information on how first time exporters can get started, the information they need, the services that are available, and an overview of the mechanics of exporting.

WHY AREN'T YOU EXPORTING?

Far too many owners of smaller businesses in the U.S. use one excuse or another to avoid the serious and viable consideration of selling their products abroad. What is your reason for not exporting?

- *I'm too small.*
- *I'm doing okay selling to the U.S. market.*
- *I'm not comfortable doing business where they don't speak English and use the U.S. dollar.*
- *Selling abroad is too complicated.*
- *I'm not established in the domestic market yet.*
- *I don't know where to begin.*
- *I haven't seriously thought about it.*

According to numerous studies, the primary reason smaller U.S. businesses do not actively seek to sell to foreign markets is that they simply lack information about those markets. This is in spite of the fact that there is a wealth of information regarding markets and the sales potential by industry in those markets.

These typical excuses reflect a serious attitudinal problem among businesses in this country. However, the fact is that seventy-five percent of the world market and ninety percent of world customers are beyond our borders. Individual firms, large or small, who continue to ignore this do so at their own peril. The conditions are right for businesses to look beyond the domestic market and embrace foreign sales opportunities. It may be easier to sell to customers three or four hundred miles away, but it may not be as profitable. Your product may be maturing in your domestic market, but it could be in a growth phase in a foreign market. Therefore, for those firms experiencing slowing sales and more intense competition in the domestic market, a consideration of selling abroad is warranted.

WHAT IS REQUIRED TO BECOME A SUCCESSFUL EXPORTER?

Commitment

The basic requirement for international marketing is **commitment**. First, international marketing is a long-term venture. It should not be attempted on either a one-time or a short-term basis. Market development and the creation and nurturing of solid relationships with foreign buyers is a long-term process. Thus, one definition of commitment refers to a long-term time frame accompanied by perseverance and patience.

A committed exporter in the advanced stages must make some accommodation regarding organization. One or more individuals in the firm will have to deal with documentation paperwork, inland and international transportation arrangements, foreign correspondence, and relations with export intermediaries. In the beginning, however, many firms rely extensively on third parties such as an export management company and a freight forwarder.

It is important to grasp the importance of the preceding forms of commitment early. Exporting takes time to build solid relationships and buyer and user awareness. Failure abroad is not due to a lack of customers; successes abroad are due to taking the time to find the most appropriate markets and then displaying the perseverance and adaptability to earn the payoffs.

Adaptability

Adaptability describes another type of requirement for export success. Adaptability can take two forms: cultural and product. Cultural adaptability refers to the ability to deal with conditions, trends, and business customs that vary dramatically between nations. A major lesson to learn early is that many business deals have never materialized or have failed because managers did not understand the cultural dimensions of the market they were exporting to (e.g., brand names

that spell trouble when interpreted in a host language or colors that have different connotations or meanings). One should know something about a country and its culture before attempting to do business there.

Adaptability also refers to one's product line. Fitting a product to a market is vital to one's ultimate success in that market. We refer not just to the more obvious things such as electric voltages or metric measurements, but also to the less obvious (e.g, beverage sweetness preferences, carburetor adjustment settings for desert climates). A company's product may require major or minor changes to fit a foreign market. Additionally, selling abroad may also mean being flexible on pricing, terms of sale, and agent/distributor marketing support.

WHERE DO I BEGIN?

Is there a foreign market for my product?

How do I research potential markets abroad?

How can I learn more about a country's culture and business environment?

IS THERE A FOREIGN MARKET FOR MY PRODUCT?

If your product reflects quality and can be differentiated from other products, you will most likely be able to find a suitable foreign market.

For some, finding a foreign market springs from prior business experience. Owners often develop an intuitive sense that helps to identify market opportunities or they may have come into contact with other firms exporting a similar product or service. Although domestic marketing success is critical if the neophyte company is to enter a foreign market successfully, management must still plan a market research effort. We should emphasize that a considerable portion of this research effort is obtaining suggestions and information from informed individuals. This is not number crunching research, yet the importance of getting to the right individuals in the network cannot be overstated. This section provides you with the contacts that you need to begin networking with informed individuals in the international trade arena.

How to Begin

First, you want to begin to consider which areas of the world offer the most potential for your product or service. It is important to consider differences in consumption and buying patterns, the organization of the industry to be served, domestic and foreign competitors, business customs, and market potential, all of which vary from one country market to another.

If you have never thought about exporting before, and are not sure which countries to begin investigating, we recommend that you take advantage of some key resources that are available to Massachusetts businesses. Contacting the following agencies is a good place to start:

Massachusetts Office of International Trade and Investment (MOITI)
100 Cambridge Street, Suite 902
Boston, MA 02202
Tel: (617) 367-1830 Fax: (617) 227-3488

This office was established in January 1984 to address the exporting needs of Massachusetts firms. Its primary objective is to work with small and medium sized companies to help them start exporting or to expand their current overseas markets. MOIT is actively involved with developing international contact and trade leads which can be very valuable. It also has available an export database which provides contacts in overseas markets to assist companies in their export promotion. This office has targeted most of its efforts on the following industries:

- biotechnology
- medical devices
- photonics
- precision measuring instruments
- software
- telecommunications

In addition, this office has also compiled the following directories to assist companies in their export promotion:

- *Massachusetts International Export Services Guide*
- *Massachusetts International Information Technology Directory*
- *Massachusetts International Biomed Directory*
- *Massachusetts International Envirotech Directory*
- *Massachusetts International Foreign Firm Directory*

Massachusetts Port Authority (MASSPORT)
MASSPORT Trade Development Unit
World Trade Center Boston, Suite 321
Boston, MA 02210
Tel: (617) 439-5560

MASSPORT provides referrals, research, marketing assistance, and guidance to small and medium-sized firms seeking to begin or expand their export operations. Representatives from Massport attend trade shows and have contacts with mid-level government officials across the world. Thus, they can be very valuable in helping to make some initial contacts overseas. Massport also has a Small Business Export Program. Participants receive a wide range of services including market research, technical assistance, and assistance in developing export partners abroad.

Small Business Administration (SBA)
Regional International Trade Office
155 Federal Street, 9th Floor
Boston, MA 02110
Tel: (617) 451-2047

The SBA offers a number of export information assistance programs -- counseling, market research, publications, and workshops. Counseling is offered through the Service Corps of Retired Executives (SCORE) and Small Business Development Centers, both sponsored by the SBA. Counselors knowledgeable in international trade are available to answer export questions. Market research is offered through SBA's Small Business Institute program. Under an agreement with SBA and selected colleges and universities, graduate business school students will research the export marketing questions of a small business firm. The SBA also offers financial assistance through the regular business loan and the export revolving line of credit programs (see section, "Is there financing available for small business exporters?").

International Trade Administration
World Trade Center Boston, Suite 307
Commonwealth Pier
Boston, MA 02110
(617) 565-8576

Under the Department of Commerce, the International Trade Administration (ITA) was developed to offer trade assistance in the U.S. and abroad. The ITA offers counseling assistance by experienced country desk officers in ITA's International Economic Policy (IEP) unit and industry specialists in the Trade Development (TD) unit. In addition, the 48 district offices and 19 branch offices throughout the U.S. and Puerto Rico are part of the ITA's U.S. and Foreign Commercial Service (US & FCS) network. District offices of the US & FCS provide practical information about overseas markets. The US & FCS offices have trade professionals throughout the world dedicated to helping U.S. companies export successfully. The Boston district office is a logical first stop for a neophyte exporter. It can help you locate agents and distributors, identify foreign markets, provide information about financing, insurance, tax advantages of exporting, international trade exhibitions, export documentation requirements, and export licensing.

**World Trade Center Boston
Commonwealth Pier
Boston, MA 02210-2004
Tel: (617) 439-5000**

The Boston World Trade Center provides trade information, educational exhibitions, translation and trade mission services, and computerized data bases. It also provides opportunities for exporters and importers to get together to discuss mutual interests. Additionally, the World Trade Centers Association, headquartered in New York City, coordinates the activities of the sixty-one centers in operation worldwide. Selective individuals in key positions in these organizations can be helpful in answering questions or directing one to others who are informed.

The purpose is to get a general idea for potential foreign markets. What countries are a few sources recommending? For more recommendations, suggestions, and information, try networking a little more. The following individuals and organizations can be extremely helpful to one seeking preliminary information about the most likely foreign markets to analyze further.

Staff persons at trade associations.

Every industry has one or more trade groups that represent the interests of those in the industry. Central staff persons are informed about the major events and trends in the industry. They know which firms are industry leaders and which firms are doing well in export markets. If specific detail is not forthcoming, obtain the membership list and then contact those that produce and export products complementary to your own.

International departments of commercial banks.

Often the heads of the international departments of larger banks can assist in identifying key markets for a particular industry. Most are looking for new international business and wish to demonstrate their willingness to be helpful.

Libraries.

Large public and university libraries have computerized data bases from which they can list out annotated bibliographies of articles recently published in a given industry. Key words and phrases are typed on a terminal to produce a list-out of published items that relate to the mix of typed-in key words and phrases. It may be that recent articles of a given industry in the business press discuss foreign market opportunities for those in that industry. Spend time developing a rewarding relationship with reference librarians. They can be productive contacts.

Editors/Publishers of industry trade magazines and newspapers.

Some of the most informed individuals in a given industry are those who publish what key players in the industry read to keep current. Each issue of a publication carries the contact address of its editor and publisher. In addition, many will forward a copy of an earlier article that an inquirer would like to obtain.

Freight Forwarders.

Although these service providers are discussed in a subsequent section, they are mentioned here because they know what goods are being shipped where, or they know where you can find this information. A helpful freight forwarder who is knowledgeable about your product category can be an invaluable resource.

Carriers.

These are the ocean freight and air freight companies that can be very helpful. Attempt to identify those that have established information-giving as part of their new business development programs.

Certified Public Accounting firms.

The larger CPA firms collect information on many foreign countries. Some have published country series describing environmental conditions and trade regulations. Certain preliminary questions of the new exporter might be directed to public accounting firms.

Domestic trade shows.

Industry members attend trade shows for many reasons. For the non-exporter, one reason might be to talk to those individuals who are supplying foreign markets and to foreign buyers who are visiting from abroad. Attendance rosters can be very useful for contacting those that appear to possess good information.

Chambers of Commerce.

You may want to contact the Chamber of Commerce in your locality. Some Chambers publish lists of international traders in their localities, and, since they are well informed on businesses in their areas, may provide you with some valuable contacts. In addition some Chambers may organize seminars on exporting and provide certificates of origin (sometimes an export documentation requirement) for exporters. The Greater Boston Chamber will do this. American Chambers are also found in many foreign countries.

Local economic development groups.

Local economic groups can offer some assistance to exporters. For example, the City of Boston's EDIC (Economic Development & Industrial Corporation) offers marketing and financing assistance to help Boston-based companies start exporting or increase their existing export activities. Contact the local development office in your locality to see if there are any special programs for exporters.

In addition, there are other organizations that will help you develop network contacts:

Smaller Business Association of New England (SBANE)
69 Hickory Drive
Waltham, MA 02154
Tel: (617) 890-9070

SBANE is a private sector organization involved in many business issues including export related activities to help smaller businesses in the New England region. The organization holds export seminars and provides the opportunity for neophyte exporters to talk with experienced exporters about their experiences. SBANE has also established an International Trade Committee (SINTRAC) which consists of experts in small business export. SINTRAC also offers seminars and programs to assist smaller firms in their foreign trade endeavors.

Small Business Service Bureau, Inc. (SBSB)
554 Main Street
P.O. Box 1441
Worcester, MA 01601
Tel: (508) 756-3513

SBSB is a national, for-profit, small business organization with over 35,000 members. It is involved in many business issues including export-related programs. Its China Trade Group Import/Export Assistance is designed to help U.S. exporters who are entering Chinese markets for the first time.

International Business Center of New England (IBC)
World Trade Center Boston, Suite 323
Boston, MA 02210
(617) 439-5280

This is a private sector organization whose members include professional firms, banks, manufacturers, service organizations, and educational institutions. IBC offers seminars and workshops on many diverse international trade issues. In addition, it offers an export school and resource center which contains reference material on exporting (open to the public Monday through Friday).

The World Trade Institute
One World Trade Center, 55W
New York, NY 10048

The World Trade Center, New York has a number of programs and seminars to help firms with their export endeavors. For example, in the past they have offered workshops on documentation preparation, export operations (e.g., packing and labeling, sales and distribution channels) and globalized logistics.

This listing does not exhaust the possibilities of research and assistance available to the potential exporter. There are numerous federal agencies, such as the U.S. Department of Agriculture, and private organizations that can also be of assistance. Because we are discussing selecting target markets, we have indicated those sources that are likely to be the most useful. The type of information sought will determine what resources will be of most value.

HOW DO I RESEARCH POTENTIAL MARKETS ABROAD?

Now, you have to carefully investigate the potential markets that you have discovered.

First, you want to identify those countries that have export potential for your product (e.g., size of the market), and then assess, in more detail, certain characteristics of these markets. This is a 2-step process:

1. **Selecting target markets.** This step consists of identifying (screening) those countries that appear to be the best country market candidates.
2. **Assessing the target markets.** This step consists of gathering information that will narrow the choice to the one or two countries to which the new-to-export company should direct its efforts. It involves examining such things as:
 - economic outlook
 - market locations and segments
 - competition (who, their offerings, market positions, pricing, strengths and weaknesses)
 - market characteristics (buying habits and preferences, after-sale support)
 - distribution characteristics (channels, customer preferences, trade shows, trade margins and markups, marketing support, sales/distribution agreements, agent/distributor candidates)
 - trade barriers (e.g., duties, tariffs)

STEP 1: Selecting Target Markets

There are a number of useful sources available to determine which country markets are the most logical ones to screen out and research in greater detail. We recommend that you investigate the size of these potential markets. The following list provides quantitative data sources that can help you determine the size of foreign markets for your product or service.

Foreign Trade Reports, FT 410

These reports show the quantity and dollar value for about 4,500 product categories shipped from the U.S. to foreign countries for the month covered by the report. FT 410s also show cumulative totals from the beginning of the calendar year. They are useful for identifying the active export markets for a particular product. Available by subscription, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Cost: \$112/year. \$24/single copy.

Source: Boston ITA District Office or
Government Documents sections of many libraries

Market Share Reports (MSR).

Spans five year period for about 1,000 commodity categories. Shows import statistics for eighty plus countries and the U.S. export share of the import total as well as the share of other foreign exporters.

Cost: \$11

Source: National Technical Information Service
U. S. Department of Commerce
5285 Port Royal Road
Springfield, VA 22161
Tel: (703) 487-4600

Export Information System Data Reports (XIS).

This market research data service is provided by the Office of International Trade of the Small Business Administration, a separate U.S. government agency established to assist small businesses. XIS is available for over 2,700 Standard International Trade Classification product categories. It provides a list of the 25 largest importing markets for a product, the 10 best markets for U.S. exporters of that product, the trends within those markets, and the major sources of foreign competition. The XIS can also identify the major products imported by selected countries.

Cost: no cost

Source: U.S. Small Business Administration
Massachusetts Small Business Development Center

U.S. Importers & Exporters Directory.

This directory shows to which country markets products similar to yours are being sold and gives the names and state locations of exporters.

Cost: \$325 (free if you find a library that has the Directory)

Source: The Journal of Commerce
US Importers & Exporters Directory
445 Marshall Street
Phillipsburg, NJ 08865-9984

Country market potential is a large, aggregate estimate, but it is useful as a reflection of the "worth" of a foreign market. Additionally, it is also helpful to reduce the overall country market potential measure to smaller geographic areas, if possible, in order to identify the most important and meaningful geographic areas in which to pinpoint one's marketing efforts. The trick in doing this is to associate the presence of certain consumption variables or factors with the sales of the product being considered. For example, abrasive materials used to polish metal surfaces of hand tools and jewelry would be bought by firms who manufacture these products. Marketing efforts should, therefore, be concentrated in those regions where these businesses are found. Networking with individuals who are in the business may shed light on where in the foreign country market one should concentrate marketing efforts.

STEP 2: Assessing Potential Target markets

At this stage in the market selection process you have probably chosen one, two, or three alternative country markets to analyze in depth. We encourage you to be decisive and very selective in narrowing down the best country prospects. All too often firms wanting to begin exporting fail to limit their market focus and begin thinking of exporting to too big a chunk of the world. Keep it uncomplicated. Choose one category of the product line and choose one market to begin with.

But which market to choose? Part of the answer will be determined by country comparisons of tariffs, import quotas (if any) imposed by the government to protect domestic industry, the strength of domestic and other foreign competition, current foreign exchange rates, and such factors as the political stability of the government in power. These are examples of some of the criteria that can be used to choose the one market to concentrate upon.

There are specific sources of information and services that will help you to select the best country to begin exporting to. One suggestion: All early and tentative country choices should be retained, and newspaper, magazine, or other materials pertinent to that country should be saved in labeled folders. If conditions change and one finds a need to add a new market or to exit from one chosen earlier, part of the task of choosing a new market is already completed.

Some examples of good sources for this stage of the research effort are:

Foreign Economic Trade Trends (FETT).

These country reports provide recent business and economic trends, and their impact on U.S. export prospects. They are updated annually or semi-annually for about 100 countries.

Cost: \$1.75, single country copies. Annual subscription, \$70

Source: ITA Boston District Office or call (202) 377-5487

Comparison Shopping Service (CSS).

This is a customized research service offered at present for 52 countries. Each country report answers basic marketing questions about a product's potential in a market. The questions answered concern the overall marketability of the product, names of major competitors, comparative prices, entry barriers, channels of distribution, competitive and promotion practices, interested and qualified reps or distributors, feasibility of joint-venture and licensing arrangements and trade impediments. Each report is prepared by a research specialist in the U.S. Embassy or Consulate in the target country.

Cost: \$500 to \$1,500 per country

Source: ITA Boston District Office

Overseas Business Report (OBR).

These country reports provide general background information such as the overall U.S. trade outlook, economic and industry trends, distribution channels, trade laws and regulations, business customs, investment trends, and suggestions for those visiting the market. In addition it provides information on product standards, testing requirements, import fees, transportation and packing requirements, documentation requirements and conversion of foreign currency into U.S. dollars.

Cost: Annual subscription, \$44.

Contact: Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402
Tel: (202) 783-3238

To order single copies:

Cost: Varies depending on country (usually \$1.50-\$2.25)

Contact: Publications Sales Branch
Room 1617
U.S. Department of Commerce
Washington, D.C. 20230
Tel: (202) 377-5487

Country Market Profiles (CMP).

These are single country, multi-industry analyses that include trade statistics, market analysis and prospective industry contacts in a single report.

Cost: \$300 per country report

Source: ITA Boston District Office or call (202) 377-5487

Commerce Information Management System (CIMS).

A CIMS report is a detailed market research report on one industry's products in one country market. DOC has over 7,000 extracts in such diverse industries as Auto Parts and Accessories (West Germany), Biotechnology (Sweden), Computer Demand, Competition and Outlook (Brazil), Construction Equipment (Australia), Food Processing & Packaging Machinery (Chile).

Cost: approximately \$10

Source: ITA Boston District Office

Background Notes on Countries of the World.

These are short pamphlets compiled by the State Department. They provide specific information on a country -- its history, economy, government, political orientation, and foreign relations. It also contains information on cultural barriers that may affect the marketing of your product.

Cost: \$32 annual subscription or by single issues (price varies)

Contact: Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402
Tel: (202) 783-3238

Dun's Exporters Encyclopedia.

This handbook contains detailed information on over 200 world markets. This excellent source book is updated with monthly bulletins and covers such background topics as:

Country profile: population, currency, trading partners, leading banks, country memberships in international agencies, trade authorities.

Communications: descriptions of telephone, mail, direct mail requirements.

Key Contacts: commercial offices abroad, domestic business information offices.

Trade Regulations: licensing and exchange regulations, import requirements and restrictions, customs tariffs, free trade ports and zones.

Documentation: shipping documents required, pro forma invoice, bill of lading, certificates of origin.

Marketing Data: agency agreement information, government procurement, consumer protection, product standards, safety requirements, labeling regulations, patents and trademarks.

Transportation: Entry and warehousing, case markings, principal ports and trade centers.

Business Travel: passports and visas, hotels, holidays, health, telecommunications, transportation.

Cost: \$485

Source: Dun's Marketing Services
3 Sylvan Way
Parsippany, N.J. 07054
Tel: 1-800-526-0651

Exportise.

This is an international trade source book targeted toward smaller businesses. It provides general export information (e.g., evaluating your product in a foreign market, handling foreign inquiries, market research efforts, etc.). In addition, one-page synopses are given on major U.S. export consumer countries.

Cost: \$49.50

Contact: Small Business Foundation of America
1155 15th Street, NW
Washington, DC 20005
Tel: (202) 223-1103

There are also some valuable reference books that will give you detailed information about the country market you are investigating. Many of these sources are available in libraries (most likely, they will be in the reference sections), so we have included their call numbers.

International Marketing Handbook.

This handbook provides up-to-date marketing information issued by the US DOC. It is designed to help American exporters with in-depth commerce and trade data on countries around the world; each country report averages 31 pages and is written by a specialist on the country. Included are trade regulations, distribution and sales channels, taxation, and marketing profiles. **HF 1009.5 I53**

Countries of the World.

Provides brief summaries on geography, people, history, government and political conditions, economy, and foreign relations. **G122C68**

The International Year Book and Statemen's Who's Who.

This source provides information on a country's constitution and government; recent politics; currency and finance; production, industry, and commerce; communications (e.g., railways, highways, civil aviation, telecommunications).

Political Handbook of the World.

Presents basic demographic, economic, and political facts about nations around the world. **HC 10E35**

Export Documentation Handbook.

Provides general requirements for exporting (e.g., customs, tariffs, sample letters to banks, insurance), and for each country, specific information such as accepted payment methods, language(s) business is conducted in, and marketing information. **K1026.2E9**

World Economic Data.

Lists current economic information, including budget, GNP, GNP by sector, imports, exports, trading partners, and natural resources for countries around the world.

HOW CAN I LEARN MORE ABOUT A COUNTRY'S CULTURE AND BUSINESS ENVIRONMENT?

There are several sources available which can provide information on a country's culture and business environment:

Culturgram Series

These are 4-page cultural orientations covering customs, manners, lifestyles, socio-economic statistics, and country maps. Addresses of embassies and national tourist offices are also included.

Cost: 50¢ per report

Contact: D.M. Kennedy Center for International Studies
Brigham Young University
Publication Services
280 HRCB
Provo, Utah 84602
Tel: (801) 378-6528

Background Notes on the Countries of the World

These short pamphlets are compiled by the State Department. They provide specific information on a country (e.g., history, economy, government) as well as cultural barriers that may affect the marketing of your product.

Cost: \$32 for an annual subscription; prices of single issues vary

Contact: Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402
Tel: (202) 783-3238

Travel Guides

Two publications are available: Guide to Safe Travel (\$20) and How to Travel Abroad, 2 volumes, (\$300).

Contact: BFF, Inc.
Route 1, Box 500
Chantilly, VA 22021
Tel: (703) 573-0124

What should my exporting plan include?

How do I export my product?

How do I promote my product?

How do I prepare my product for export?

HOW DO I EXPORT MY PRODUCT?

Once you have selected a country and specific target markets, you must consider how you are going to get your product to potential customers. You can either choose a direct or an indirect means of exporting. With **direct** exporting, you are responsible for finding your own customers and getting your product to them. With **indirect** exporting, you are transferring most exporting responsibilities to a third party intermediary. The channel one chooses depends on the level of marketing sophistication developed for the domestic U.S. market, one's commitment to the foreign market in question, and country market laws and business practices.

Whatever option you choose, it is important to select and develop an effective distribution network. Without it a firm's overseas export efforts will never go beyond the reactive, order-taking stage. Finding and supporting your trading partners is as important as any marketing decision to be made. It is also important to monitor your channel network on a continuous basis. For instance, one doesn't qualify an agent or distributor only at the outset of a partnership. Evaluation and the development of sales support programs and aids are a continuous responsibility of the exporter.

DIRECT CHANNELS OF DISTRIBUTION

Direct distribution options require greater commitment of both management and financial resources. Direct exporting, like any new business venture, can be highly profitable when planned properly. Selection of a direct method option will be influenced by the channel used in the U.S. market and the business practices and distribution channels established in particular foreign countries. There are several options:

NOTE: This guide is intended for those who are considering export opportunity or who are new to international trade and are still learning the do's and don'ts of selling abroad. Therefore, this section does not include discussion pertaining to company-owned branches or subsidiaries within foreign markets. These longer-term market entry options are costly. Neophytes to export are wise to consider these expansions after they have achieved measured success abroad.

Sell directly to retail dealers or end-users

This consumer goods option is often limited to small markets and where retail dealers or users prefer to buy directly rather than through an intermediary. Depending upon the product, export sales can be made by direct mailing of product literature, advertisements placed in foreign trade magazines, and active participation in trade fairs.

Assign a foreign sales agent to represent the firm

A foreign sales representative is the equivalent of a manufacturer's rep in the U.S. The rep works on a commission and a contract is written which specifies the period of time, territory, terms of sale, method of compensation, and whether the agent's representation is exclusive or not. A word of warning: some countries have laws that protect agents' rights so care must be exercised when appointing reps. It is advisable to obtain legal assistance to alert you to foreign laws which guide the termination of the agent relationship (certain lawyers specialize in formulating international agent agreements).

Finding a potential agent (distributor):

The ITA will conduct a customized search to locate interested and qualified foreign agents (distributors) for your product. You provide the product literature, export prices, and sales letter, and the search is performed by commercial officers in the appropriate US Embassy or Consulate overseas. You will be given a listing of up to six foreign prospects who have examined your product literature and have expressed an interest in representing you. There is a fee of \$125 per country. For more information and application forms contact:

International Trade Administration
World Trade Center Boston, Commonwealth Pier, Suite 307
Boston, MA 02210
Tel: (617) 565-8571

The World Trade Information Center, located in the World Trade Center, NYC, (tel: 212-466-8380) can provide lists of agents and distributors by industry and country market. The WTC has an extensive collection of directories. In addition, banks, American Chambers of Commerce overseas, freight forwarders, carriers, and port authorities all have international networks which can be of assistance to those seeking to locate foreign agents and distributors. Exporters in your industry may also give you the benefit of their international experience.

Appoint a distributor

Distributors purchase the product from the exporter (taking title to the goods) and resell it for a profit. Distributors carry inventories and provide credit to foreign buyers. A distributor agreement is usually made on an exclusive basis in a particular geographic area. Prior to signing an agreement, however, it is important to know the country's laws that are designed to protect distributors (as well as agents). For instance, some laws in South American countries limit the conditions for breaking a distributorship agreement and require substantial compensation to be paid to the distributor (or agent) when the relationship is severed. For information on how to find a distributor, see the previous section (Finding a potential agent /distributor).

Licensing

Licensing is allowing a company in a foreign country market to use your trademarks, patents, manufacturing process, and to manufacture and market your products. This option is often chosen where country legislation prohibits the importation of the product category. In addition, licensing permits entry into a foreign market without large capital outlays, and the risks associated with exporting are greatly reduced. There is a trade-off, however, because licensing is one of the least profitable ways of exporting to a foreign market.

If you pursue a licensing strategy, you must develop comprehensive contractual arrangements which include product coverage, rights licenses under the contract, territorial coverage, tenure (time of licensing agreement), extension and renewal clauses, merchandising and management assistance, quality control, reporting and auditing requirements, and terms and conditions of payment.

Joint Business Venture

A joint venture is when two or more companies commit resources jointly to pursue a common business objective. Joint ventures are usually used when countries prohibit 100% foreign ownership, wish to reduce foreign import competition to domestic industry, or hope to benefit from the sharing of technology. Joint business ventures require careful legal planning (e.g., the corporate organization, tax aspects, etc.).

<p>LEGAL ADVICE SHOULD BE SOUGHT WHEN CONSIDERING LICENSING OR A JOINT VENTURE</p>

INDIRECT CHANNELS OF DISTRIBUTION

These channels should be considered as options for those firms with no export experience who are unwilling to make the time and resource commitment to devote to international sales. Or, perhaps a particular market is too small to justify direct marketing programs.

Indirect channels require the smallest allocation of company resources to an export effort. A relationship is established with a firm which specializes in overseas marketing. This enables a small manufacturer to tap one or more world markets without diverting attention and resources from domestic business. In return the exporter gives up a greater portion of his profit margin. Additionally, the manufacturer acquires no hands-on experience about the conduct of international trade, since marketing control is reduced or lost completely.

Export Management Companies (EMCs)

EMCs are the most common form of international intermediary. They are domestic firms that serve as the export department of several noncompetitive manufacturers. Thus, EMCs travel abroad to locate foreign buyers, exhibit products at international trade shows, and provide financing to potential customers.

The management of the EMC solicits sales for a commission, salary, or retainer plus commission. The EMC is invoiced by the manufacturer and in turn invoices the customer, assuming responsibility for shipping, export documentation, and receiving payment. EMCs often specialize by product category as well as by country or world area. Because of such specialization, the better EMCs know products and country markets very well. Thus, their in-place networks of foreign buyers give the manufacturers they represent immediate access to foreign markets. A disadvantage is the loss of control over sales and activities that are key to maintaining good buyer relationships.

You should send a potential EMC a contact letter, with a product description and its market segment. You also want to check the types of products handled and references (background check, length of time in business, etc.).

Those interested in identifying EMCs specialized by region and product should take note of the following contacts:

- ***Directory of Leading U.S. Export Management Companies***

Bergano Book Company
P.O. Box 190, Fairfield, CT 06430
Cost: \$37.00

- ***The EMC -- Your Export Department***

This publication lists all the services EMC's can provide. It can be obtained from the Boston ITA District Office.

- ***Massachusetts International Export Services Guide***

Massachusetts Office of International Trade and Investment (MOITI)
100 Cambridge Street, Suite 902
Boston, MA 02202
Tel: (617) 367-1830 Fax: (617) 227-3488

This source book lists Mass.-based EMCs, including location, contact person, product focus, and geographic specialization. Cost: \$10.00

Export Trading Companies (ETCs)

Authorized by the Export Trading Company Act of 1982, the U. S. government encourages the creation of entities designed to compete with Japanese, European and other foreign trading companies. An ETC is similar to an export management company. The one major difference is that traditionally, EMCs do not take title to goods being exported, while ETCs do take title and offer a broader range of services to the supplying manufacturer. The legislation allows banks to make equity investment in ETC ventures. Additionally, these organizations have been granted immunity from certain U.S. anti-trust laws. Those interested in additional information on ETCs should contact:

- ***Office of Export Trading Company Affairs***

Room 1800, U.S. Department of Commerce
Washington, D.C. 20230
Tel: (202) 377-5131

- ***Massachusetts International Export Services Guide***
Massachusetts Office of International Trade and Investment (MOITI)
100 Cambridge Street, Suite 902
Boston, MA 02202
Tel: (617) 367-1830 Fax: (617) 227-3488

This source book lists Mass.-based ETCs, including location, contact person, product focus, and geographic specialization. Cost: \$10.00

Export Merchants

These intermediaries buy directly from the manufacturer and then market in foreign countries according to supplier specifications. They usually operate on a non-exclusive basis.

Export Agents

These middlemen operate on a commissioned basis much like the manufacturer's representative in the U.S. Shipment, invoicing, and credit extensions are the manufacturer's responsibility.

Commission agents

These buying agents represent foreign companies who search out desired products for their clients who pay them a finders' fee or commission.

Country-controlled buying agent.

These buying agents represent foreign government agencies or governmentally controlled enterprises. They may be independent of or employed by such agencies and enterprises and are empowered to buy desired products and services.

MAKING A DECISION (DIRECT VS INDIRECT CHANNELS OF DISTRIBUTION)

The listings of options above means that the manufacturer should ask key questions prior to choosing the most appropriate channel(s):

- *Do I have the financial resources to spend on international promotion and foreign travel?*
- *Should I maintain backup inventory to support sales abroad?*
- *Do I need to maintain control over sales, customer service, customer credit?*
- *What expertise do I need at the outset in order to get established in a new foreign market?*

The answers to these types of questions will determine the most logical form of distribution to choose. Additionally, one should consider the advantages and limitations associated with direct versus indirect channels:

Advantages of Direct Channels:

- Control over the marketing effort.
- Ability to change price, terms and conditions.
- More protection of trademarks and intellectual property rights.
- Enhancements of managerial abilities such as greater familiarity with customer preferences and needs.
- Control over product servicing/maintenance.
- Development of personal export skills.
- Development of personal contact and networking skills.

Disadvantages of Direct Channels:

- Costs of travel, communication, exhibits, financing of export shipments.
- Time and attention needed for export may dampen domestic market business.
- Training necessary for existing company staff.

Advantages of Indirect Channels:

- Avoidance of the overhead costs involved in direct marketing options.
- Need for on site product servicing may be too costly until modest export volume is achieved.
- Host country trade regulations may require an indirect channel
(Example: A registered agent requirement forces the appointment of a national as a representative).

Disadvantages of Indirect Channels:

- Representatives may be inadequately financed to get the job done.
- Agents may represent competitive product lines.
- End market destinations and product usage are often not known that well.
- Important communications and understandings between the U.S. manufacturer and foreign customer may suffer.

At this stage one might be well advised to contact U.S. companies who are currently exporting to obtain their views on the best means to distribute a particular product category into a specific market. A useful source for identifying such firms is the **United States Importers and Exporters Directory**, a two volume publication of the Journal of Commerce, Two World Trade Center, New York, N.Y. 10048, Tel (212) 837-7000. This source provides alphabetical listings of U.S. exporters and exported products with their Harmonized Commodity Codes. Networking with companies often save a great deal of time and effort in resolving the market entry option decision.

HOW DO I PROMOTE MY PRODUCT?

Developing Trade Leads

If a direct channel (or channels) have been chosen, the exporter must begin to generate trade leads. Trade leads are expressions of interest by prospective foreign buyers to purchase specific products.

US&FCS Trade Opportunities Program (TOP).

This service locates international customers interested in your type of product or service. Details on specifications, quantities, end-use, delivery and bid deadlines are telexed daily to the computer center at the Department of Commerce in Washington, D.C. by commercial desk officers in our embassies and consulates. For a modest subscription fee, TOP leads for those products and services previously specified are sent to subscribers. This same information can be accessed more selectively by subscribing to DIALOG's computer base system which includes the U.S. Government's trade leads. For more information contact the Boston ITA District Office.

Commercial News USA.

This is an export promotion catalog-magazine distributed to more than 100,000 overseas foreign agents, distributors, government officials, and end-users. You pay a fee to publish a description and photo of your product (the fee depends on the size of the listing; a standard listing is \$150, two full pages cost \$3,000). For more information and an application form, contact the Boston ITA District Office.

Export Mailing List Service (EMLS).

This is a service provided by the US & FCS which retrieves names of prospective customers for countries and/or industries you select. You give your product's 5-digit SIC code, the geographic area of interest, and the types of contacts desired (agent, distributor, retailer). You can obtain your customized retrieval in printout or mailing label form. You can also obtain pre-printed directories of a single industry across all countries. The

customized retrievals cost around \$35 (the price depends on the number of countries and product lines requested and the number of names received. For more information, contact:

Boston ITA District Office
World Trade Center, Suite 307
Commonwealth Pier Area
Boston, MA 02210
Tel: (617) 565-8576

In addition, the following organizations may be helpful in generating trade leads:

- The international trade offices of most states.
- Port authorities (e.g., Massport)
- Banks with international departments
- Your trade association
- Foreign industry trade journals (published abroad)
- Your industry's manufacturing community

Attending Overseas Trade Shows

International trade shows offer new exporters the opportunity to meet potential foreign buyers, agents/distributors, and competitors and present their product line. For instance, some shows have their own agent/distributor service in that the show catalog indicates which specific exhibitors are interested in finding a representative by placing a symbol beside their names.

Thousands of buyers and exhibitors from all over the world attend these shows. Moreover, a considerable amount of business deals are made at these exhibitions. Even if a firm does not exhibit at a show, a new-to-export firm should attend an international show prepared with information about its products. Completed homework should include a willingness to quote prices that include shipping charges to various foreign ports (the more prices an exhibitor knows, the better; a freight forwarder can help you prepare this information).

In addition, management should seek trade show marketing advice from US&FCS commercial officers at the U.S. embassy and consulate offices in that country. These country experts will begin to target appropriate business contacts to meet at the event.

The following publications can alert you to the scheduled dates of international trade shows:

- ***Business America***, the biweekly publication of the U.S. Department of Commerce, publishes an annual schedule of major world trade shows (Tel: (202) 377-5487).
- ***Export Promotion Calendar***, available from the Boston ITA District Office is also a means of tracking shows and fairs. This schedule is organized by industry/product and indicates the city and country in which the show will appear and the name and telephone number of the US&FCS contact (in Washington, D.C.) who can provide more information.

Gaining International Exposure (without visiting the market)

Other forms of international marketing exhibitions are also available to gain market exposure and generate inquiries:

Catalog & Video-Catalog Program Service.

U.S. firms may participate in a catalog or video-catalog show sponsored by the Commerce Department. The US & FCS will send an industry specialist to display the material provided to select foreign audiences in several countries. These exhibitions are at embassies or in conjunction with trade shows. For more information contact the Boston ITA District Office or the:

Catalog Division
Room 2119
U. S. Department of Commerce
Washington, D. C. 20230
Tel: (202) 377-3973.

Foreign Buyer Program.

This program is the result of the combined efforts of the ITA, Department of State, and International Communications Agency. Exporters can meet qualified foreign purchasers of

their products in the United States if they are part of this program. The program arranges for foreign buyers to visit companies they are interested in doing business with. It also encourages foreign participation at certain U.S. trade shows which are promoted worldwide. Thus, a company participating in the program can be provided with valuable contacts without the expense of traveling abroad. For more information contact:

Boston District ITA office

or

Foreign Buyer Staff
Office of Export Development
ITA, U.S. DOC
Washington, D.C, 20230

Visiting the market

Visiting the market allows you to meet present and potential customers. While it helps to generate sales leads, a market visit is also valuable in that it allows you to view the business environment, talk to customers, and gain a better understanding of the cultural dimensions of the foreign country you are dealing with. This makes future communications via telephone, fax, or letter a little easier later on. However, the visit should be carefully planned and your goals and objectives clearly defined. First, you should plan an itinerary including names of contacts and when you plan to meet with them. Be sure to check transportation schedules and give plenty of time in between appointments. In addition, check the normal business workdays and hours (for instance, in Middle Eastern countries, Saturday-Thursday is the normal workweek). Be sure to check for foreign holidays. Also, bring plenty of company literature, including price quotations, sales brochures, company stationery (if you want letters, proposals, etc. written and signed while you are there), and business cards.

When travelling abroad you will need a passport and sometimes a visa (some countries don't require a visa for tourists, but do for business trips). Also think about printing your business card in English and the language of the country you are visiting. In addition, check into

translation services if you might need them. Contact reputable travel agents for details on obtaining an international driver's license.

For additional information on the country you are visiting, it is a good idea to write to the U.S. embassy or consulate in the country several weeks prior to your visit.

To obtain the names of individuals who will arrange introductions with appropriate individuals and foreign government officials, write for:

"Key Officers of Foreign Service Posts"
Superintendent of Documents
Commercial Section, US Government Printing Office
Washington, D.C. 20402

Note: When you are writing to commercial desks abroad, describe the objective of your trip and the type of assistance you are seeking.

Office space in other countries:

You can arrange for office space for up to five days in a foreign country. For more information, contact:

Export Development Offices (EDO)
International Trade Administration
14th Constitution Avenue, NW
Room H2116
Washington, DC 20230
Tel: (202) 377-2525 or
the Boston District ITA Office.

Carnets

If you plan to travel with product samples you should be aware that you may be required to pay export duties. However, this may be avoided in some countries by obtaining a carnet which is a special customs document that allows you to avoid duties. The U.S. is a member of the ATA Carnet System which permits business travelers to take commercial samples, advertising material, etc., to member countries for temporary periods of time without paying customs duties and taxes or posting a bond at the border of each country to be visited. A carnet is valid for one year from

the date of issuance. Within this period, a Carnet holder can visit as many countries in the system as he or she wishes. For more information and application forms contact:

US Council for International Business
1212 Avenue of the Americas
New York, NY 10036
Tel: (212) 354-4480

Matchmaker Trade Delegations

This program was developed by the DOC to help firms locate overseas contacts. You travel abroad with a matchmaker to a certain country. Appointments are made for you to meet agents, distributors, licensees, franchisees, or joint-venture partners who have examined your product literature and are interested in doing business with you. In addition, you receive briefings on doing business in the country you are visiting. The advantage of this program is that market interest in your product is assured. To participate, the firm must be new-to-export or new-to-market and pay a participation fee and travel expenses. The Small Business Administration (SBA) will pay up to \$500 of these expenses. For more information on SBA's involvement, contact the SBA office nearest you or call Ed Walls in the Commerce Department at (202) 377-3991. For more information on upcoming matchmaker trips contact the Boston District ITA Office.

HOW DO I PREPARE MY PRODUCT FOR EXPORT?

Product modification

It may be necessary to modify certain aspects of your product for export. Consider the following factors which may lead to some changes in your product:

Government regulations and standards

- requirements pertaining to material content, etc.
- labelling requirements
- cycle and voltage of electric current

Geographic, climatic conditions

- what climate will product be exposed to (e.g., extreme humidity)

Cultural aspects that define buyer preferences

- religious beliefs
- meaning of certain colors
- translation of brand name/trademark to foreign language
- taste preferences
- habits and lifestyles
- type of packaging preferred
- preferences in size

These factors could lead to change in physical characteristics of product, its label, its packaging, or simply its name.

How to investigate which product modifications may be necessary:

- **Standards institutes** of the particular country the exporter plans to sell to will be of assistance. Information on foreign standards, testing, and certification requirements can be obtained from:

National Center for Standards and Certification Information (NCSCI)
National Institute of Standards & Technology (NIST)
Administration Building, A629
Gaithersburg, MD 20899
Tel: (301) 975-2000

American National Standards Institute
11 West 42nd Street, 13th Floor
New York, NY 10036
Tel: (212) 642-4900

ANSI is the official U.S. repository for all ISO member country standards.
They will conduct a "standard search" for a fee.

Underwriters Laboratories
TATE Coordinator
1285 Walt Whitman Road
Melville, NY 11747

UL assists U.S. exporters in understanding and complying with international standards and certification requirements and procedures. This program is called TATE (Technical Assistance To Exporters). The UL can issue a mark showing your product's compliance with international standards. There are four UL laboratories in the U.S. The New York lab is the closest location to New England.

- **Freight forwarders** often are aware of necessary modifications.
- **Other exporters** in your industry.
- **Foreign Commercial Service Officers**
- **Agencies like Massport** that have representatives who visit countries, attend trade shows, etc.
- **Visiting the market** will uncover needed changes.
- **Overseas Business Reports** provide information on transportation and packing requirements as well as testing requirements/product standards in foreign countries.

Cost: Annual subscription, \$44. Single copy \$1.50-\$2.25.

Contact: Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402
Tel: (202) 783-3238

To order single copies:

Cost: Varies depending on country (usually \$1.50-\$2.25)
Contact: Publications Sales Branch
Room 1617
U.S. Department of Commerce
Washington, D.C. 20230
Tel: (202) 377-5487

Pricing

It is necessary to take care to price your product competitively for export. Aggressive pricing increases volume and market share. It's a good idea to get pricing information on competition. One way to do this is to visit the market.

It is generally a good idea to quote your price C.I.F. foreign ports (this means that your price includes transportation costs to the foreign port, see section on "How do I get paid," for more information). Prices can usually be quoted in US dollars.

Protecting Intellectual Property Abroad

Intellectual property is a broad collection of rights relating to industrial property (e.g., inventions, trademarks, designs) and copyright (e.g., literary, artistic works). The rights granted by a U.S. patent trademark, copyright, etc. extend only through the U.S., its territories and possessions. There is no such thing as an international trademark or patent. A firm must apply for protection in a specific country, and these laws and regulations vary across different countries. You cannot assume the same protection abroad as in the U.S.

There are some international agreements which allow trademark, patent, and copyright applications to be filed with a central source for protection in several countries. Certain treaties or conventions offer means to protect intellectual property rights. The International Convention for the Protection of Industrial Property (the "Paris Union") is adhered to by ninety countries. It covers trademarks and patents. Countries still have a right to refuse protection within a certain time from the date of the publication of the international mark.

The European Patent Office (EPO) opened in 1977 in Munich. Applications for a European patent can be filed in all fields of technology, providing protection in most European countries. This patent provides protection for 20 years at a cost somewhat less than the average cost of three national patents, and has the status of a national patent in each country. The official languages of the EPO are English, French, and German. For more information contact:

European Patent Office
P.O. Box 202020
Erhardstrasse, 27
8000 Muenchen
Federal Republic of Germany

For more information concerning protecting your intellectual property abroad, contact a lawyer versed in international property protection or the Boston ITA District Office.

HOW DO I GET MY PRODUCT FROM HERE TO THERE?

How can a freight forwarder help me?

Do I need an export license?

**Is my shipment documented correctly to meet U.S. and foreign
government regulations?**

Which form of transportation should I use?

**Is my merchandise packaged and labelled correctly so that it arrives
in good condition?**

Who pays the shipping charges?

Is my shipment insured against damage and theft?

HOW CAN A FREIGHT FORWARDER HELP ME?

While there seems to be a lot of concerns for a small business trying to send its product abroad, don't be alarmed -- a freight forwarder (and others we have mentioned) can help you answer all of these questions and provide valuable advice. Exporting is not difficult if your documentation is done correctly and you follow certain steps. A freight forwarder will prepare most of the shipping documents on the exporter's behalf. Thus, a freight forwarder can hold your hand through this process and help make your exporting endeavors run smoothly. The services freight forwarders provide are described below and in the documentation section.

Basically, freight forwarders are middlemen who act as your agent, as authorized by a power of attorney, to arrange for transportation of your merchandise from a specified shipping point in the U.S. to a foreign port or to your customer's location overseas. Freight forwarders have no vested interest in the products they arrange transportation for. They simply provide a service to make it easier for you, the exporter, to ship your goods abroad. All freight forwarders are licensed by the Federal Maritime Commission (FMC).

Freight forwarders make their money on the transportation itself -- they buy high volume space (from airlines, ocean shipping lines, etc.) at a low cost and then resell that space to an exporting company.

Generally, freight forwarders become involved after the order has been received and you are ready to process that order. You may contact them for a transportation quote if you are planning to include transportation charges in the delivered price of your product.

Some forwarders become actively involved in many aspects of international marketing. Because they are strictly a service organization, their success depends on businesses exporting goods abroad. Thus, some freight forwarders will help generate sales leads and go out of their

way to help their clients in order to ensure a long-term relationship. Freight forwarders can provide some valuable information and perform services to facilitate the shipment of your merchandise abroad (often at no extra charge). A conscientious freight forwarder will:

- help you determine which mode of transportation best suits your needs
- book space for your shipment (on air/shipping vessel)
- provide insight into the type of packaging you will need
- arrange for inland freight
- provide warehouse and storage space if you need merchandise to be held at piers/terminals when your shipment needs consolidation
- alert you to possible commerce violations and potentially risky foreign endeavors
- make arrangements to clear merchandise through customs
- prepare and examine necessary documents (e.g., dock receipts, bills of lading) to ensure accuracy and compliance with authorities in both exporting and importing countries
- distribute all documents involved in a shipment including requested delivery of documentation directly to shipper's bank
- oversee movement of documents through consulates
- prepare banking and collection papers (letters of credit, drafts)
- provide cargo insurance (Some freight forwarders sell certificate coverage so you don't have to purchase your own insurance; since the freight forwarder assumes the risk, there is no deductible)
- pre-alert foreign buyer that shipment is on its way

Cost

Freight forwarders' fees are minimal when you consider the amount of services they provide. The basic fee is approximately \$55-60. In addition, there may be a communications fee for the calls and contacts they make (approx. \$15) and a liability surcharge fee (to cover the cost of laying out the money for your freight charges when they book space). This is usually negotiable

and could be a flat fee as low as \$10 or a percentage of the monies they extend. A typical freight forwarder fee schedule may look like this:

Basic fee	\$65-100
Communications fee	\$15
Freight advance	\$10
Courier	cost
Inland freight	cost
Letter of credit	\$25
Sight draft	\$15

Something to keep in mind is that these fees are negotiable over a long-term relationship with your forwarder. Thus, it is recommended that you find a forwarder who provides you with the services you need and develop a long-term relationship with this forwarder. Don't shop around for the best deals, but look for a forwarder who provides extra services (definitely a benefit for first-time exporters) and who takes a personal interest in clients.

In addition, you can reduce your transportation costs by asking your freight forwarder about consolidation rates. Your freight forwarder will collect merchandise from a number of different companies, put in into one container, ship it to the foreign country, break it down, and deliver the paper work to your customer. If you are exporting in small volumes, consolidation rates may save you money.

The basic fee covers the forwarder finding you the best shipping rates. For instance, some ports have terminal handling charges (THC), which are fees for loading your merchandise off the truck into the warehouse. The freight forwarder investigates all extra fees and charges such as THC's to find you the most economical way to send your goods abroad. This service alone makes it well worth the basic fee.

Selecting and evaluating a freight forwarder

Some freight forwarders have strengths in different areas of the world, so consider which geographic areas you will be exporting to when selecting one. There are also freight forwarders who have a strength in a specific mode of transportation (e.g., ocean versus air shipping). The larger freight forwarders have offices world-wide and are expert in both air and ocean shipping.

WHAT TO LOOK FOR WHEN SELECTING A FREIGHT FORWARDER:

Affiliate offices -- when the forwarder operates in many U.S. and foreign affiliated offices, the shipper is advantaged with the most economical freight rates and documentation pouch delivery. Moreover, shipments can be traced more effectively.

Location -- is forwarder (or affiliate offices) physically located next to an airport or seaport; also a nearby office will save time and money since documents and merchandise will be delivered in some instances.

Services -- a full service forwarder keeps a shipper's cost to a minimum. Look for forwarders that perform those "extra" services such as:

- emergency air shipment deliveries
- freight delivery directly to the importer's facility
- consolidation of cargo with shipments of other exporters to lower freight costs
- banking services such as preparing needed documents and presenting these to the shipper's bank for customer collection and payment

Expertise in product areas -- does the forwarder ship a certain product only or is the forwarder a general forwarder.

Country specialization -- ask which countries the forwarder is currently exporting to.

Personal interest -- check if your forwarder takes a personal interest in clients. Will they come to your office or invite you to see their operation?

Credit terms -- forwarders usually pay carriers within seven to ten days from the time they book space for your merchandise. Thus, they expect the exporter to pay their invoices within that period. Credit terms should be understood at the beginning of an exporter-forwarder relationship.

Operating hours -- since many air shipments depart the U.S. at night, a forwarder should provide service at such times to handle problem situations that may arise.

References -- Ask the potential forwarder for references. Specify that you would like references of firms that are exporting dollar volume approximately equivalent to what you plan to export.

When you do select a forwarder, that forwarder will want to do some financial checking on you (remember, the forwarder will be laying out monies for you when they book your transportation). Be prepared to give your new forwarder the name of your banker, account number, and credit references.

YOU SHOULD CHOOSE A FREIGHT FORWARDER VERY CAREFULLY AS IT IS A "PARTNER" IN YOUR OVERSEAS ENDEAVORS.

Finding a Freight Forwarder

Here are some suggestions on how you can find a freight forwarder:

Trade Groups/Associations -- Association staff personnel will be helpful and they can refer you to other industry members who may also be helpful.

Chambers of Commerce -- Chamber staff will provide names of freight forwarder members and the person to contact.

International Departments of Commercial Banks -- Bank personnel know and deal with reliable forwarders.

International Trade Centers/Associations -- Forwarders are often members of the local and state groups that are formed to promote and develop international trade in the region.

Steamship Lines and Airlines -- These transportation companies know the most efficient and reliable freight forwarders with whom they deal daily.

State Offices of International Trade -- Trade resources provided by these offices in state capitals include listings of freight forwarders.

Importance of the Exporter-Forwarder Relationship

It is imperative to develop a smooth, working relationship with your freight forwarder. This can be facilitated by working well with one particular individual in the forwarder's organization.

Discuss glitches that arise or adverse feedback from customers abroad promptly with your liaison at the forwarder. Problems will arise because of the numerous steps involved in processing and handling an international shipment.

Be prepared to supply the following information to your freight forwarder. This information facilitates the services that the freight forwarder performs on your behalf:

Permission for the forwarder to sign certain legal documents on your behalf. This is a limited power of attorney which is required by the U.S. Government (see illustration of this form on the next page) which proves that the freight forwarder is acting on your behalf. If you are working with more than one freight forwarder, each forwarder needs to have this form on file. Note: if you are shipping "hazardous" chemicals, the freight forwarder cannot sign anything on your behalf, but you still will have to sign a power of attorney form.

Internal Revenue Service reporting number to be included in the Shipper's Export Declaration form (this is your social security number or the business number that you use on your tax returns).

A supply of your company letterhead paper, invoices, and packing list forms to save time when changes in shipping documentation are required.

POWER OF ATTORNEY

Check appropriate box:
☐ Individual
☐ Partnership
☐ Corporation
☐ Sole Proprietorship

KNOW ALL MEN BY THESE PRESENTS: That, _____
(Full Name of person, partnership, or corporation, or sole proprietorship (identify))

a corporation doing business under the laws of the State of _____ or a _____
doing business as _____ residing at _____
having an office and place of business at _____, hereby constitutes and appoints each of the following persons

"F.W. Myers & Co., Inc., and Frank P. Dow Division of F.W. Myers & Co., Inc. through any of its licensed officers and any employees specifically authorized to act for the foregoing by power of attorney filed with the District Director of Customs. If a non-resident corporation, we further authorize for foregoing to accept service of process and for the appointment of sub-agent or sub-agents. If a resident corporation, we further authorize any of the foregoing to appoint as our agent, such other broker(s) as may be required. Such agent(s) shall be authorized to accept service of process in our behalf."

as a true and lawful agent and attorney of the grantor named above for and in the name, place, and stead of said grantor from this date and in Customs District _____ and in no other name, to make, endorse, sign, declare, or swear to any entry, withdrawal, declaration, certificate, bill of lading, or other document required by law or regulation in connection with the importation, transportation, or exportation of any merchandise shipped or consigned by or to said grantor; to perform any act or condition which may be required by law or regulation in connection with such merchandise; to receive any merchandise deliverable to said grantor;

To make endorsements on bills of lading conferring authority to make entry and collect drawback, and to make, sign, declare, or swear to any statement, supplemental statement, schedule, supplemental schedule, certificate of delivery, certificate of manufacture, certificate of manufacture and delivery, abstract of manufacturing records, declaration of proprietor on drawback entry, declaration of exporter on drawback entry, or any other affidavit or document which may be required by law or regulation for drawback purposes, regardless of whether such bill of lading, sworn statement, schedule, certificate, abstract, declaration, or other affidavit or document is intended for filing in said district or in any other customs district;

To sign, seal, and deliver for and as the act of said grantor any bond required by law or regulation in connection with the entry or withdrawal of imported merchandise or merchandise exported with or without benefit of drawback, or in connection with the entry, clearance, lading, unloading or navigation of any vessel or other means of conveyance owned or operated by said grantor, and any and all bonds which may be voluntarily given and accepted under applicable laws and regulations, consignee's

and owner's declarations provided for in section 485, Tariff Act of 1930, as amended, or affidavits in connection with the entry of merchandise;

To sign and swear to any document and to perform any act that may be necessary or required by law or regulation in connection with the entering, clearing, lading, unloading, or operation of any vessel or other means of conveyance owned or operated by said grantor;

To authorize other Customs Brokers to act as my agent; to receive, endorse and collect checks issued for Customs duty refunds in a grantor's name drawn on the Treasurer of the United States; if the grantor is a nonresident of the United States, to accept service of process on behalf of the grantor

And generally to transact at the customhouses in said district any and all Customs business, including making, signing, and filing of protests under section 514 of the Tariff Act of 1930, in which said grantor is or may be concerned or interested and which may properly be transacted or performed by any agent and attorney, giving to said agent and attorney full power and authority to do anything whatever requisite and necessary to be done in the premises as fully as said grantor could do if present and acting, hereby ratifying and confirming all that the said agent and attorney shall lawfully do by virtue of these presents; the foregoing power of attorney to remain in full force and effect until the _____ day of _____, 19____, or until notice of revocation in writing is duly given to and received by the District Director of Customs of the District aforesaid. If the donor of this power of attorney is a partnership, the said power shall in no case have any force or effect after the expiration of 2 years from the date of its receipt in the office of the District Director of Customs of the said district

IN WITNESS WHEREOF, the said _____

has caused these presents to be sealed and signed: (Signature) _____

(Capacity) _____ (Date) _____

WITNESS _____

Customs Form 5291 (10-07-80)

4-1-80

Certification on reverse must be made in all cases.

(Corporate seal) * (Optional)

INDIVIDUAL OR PARTNERSHIP CERTIFICATION * (Optional)

CITY _____
COUNTY _____
STATE _____

SS.

On this _____ day of _____, 19____, personally appeared before me _____
residing at _____, personally known or sufficiently identified to me, who certifies that _____
(is) (are) the individual(s) who executed the foregoing instrument and acknowledge it to be _____ free act and deed

(Notary Public)

CORPORATE CERTIFICATION

(To be made by an officer other than the one who executes the power of attorney)

I, _____, certify that I am the _____
of _____, organized under the laws of the State of _____
that _____, who signed this power of attorney on behalf of the donor, is the _____
of said corporation; and that said power of attorney was duly signed, sealed, and attested for and in behalf of said corporation by authority of its governing body as the same appears in a resolution of the Board of Directors passed at a regular meeting held on the _____ day of _____, now in my possession or custody. I further certify that the resolution is in accordance with the articles of incorporation and bylaws of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said corporation, at the City of _____ this _____ day of _____, 19____

(Signature)

(Date)

If the corporation has no corporate seal, the fact shall be stated, in which case a scroll or adhesive shall appear in the appropriate, designated place.
Customs powers of attorney of residents (including resident corporation) shall be without power of substitution except for the purpose of executing shipper's export declarations. However, a power of attorney executed in favor of a licensed customhouse broker may specify that the power of attorney is granted to the customhouse broker to act through any of its licensed officers or any employee specifically authorized to act for such customhouse broker by power of attorney.
If you are the importer of record, payment to the broker will not relieve you of liability for Customs charges in the event the charges are not paid by the broker. Therefore, if you pay by check, Customs charges may be paid with a separate check payable to the "U.S. Customs Service".

Importers who wish to utilize this procedure must contact our office in advance to arrange timely receipt of duty checks.
All transactions subject to the terms and conditions approved by the National Customs Brokers and Forwarders Association of America, Inc.

NOTE: The corporate seal may be omitted. Customs does not require completion of a certification. The grantor has the option of executing the certification or omitting it.

DO I NEED AN EXPORT LICENSE?

Export licensing is an integral part of exporting which has been widely misunderstood by small, non-exporting manufacturers. The Department of Commerce has made considerable strides in reducing unnecessary burdens on U.S. companies through improvements in the export licensing procedures.

There are two types of licenses -- general and validated. The type of license you will need depends on the type of product and the country you are exporting to. Most U.S. products are shipped abroad under a general license. A general license is a broad grant of authority by the government to all exporters of certain categories of products to all or most destinations. This means that no paper work is necessary. Your freight forwarder is able to tell you whether your product falls in the general license category. Sometimes, a freight forwarder will ask you to send the product specifications in order to determine the type of license required (Note: there are 21 different types of general licenses; make sure you have the proper code number in the Shipper's Export Declaration form).

Many computer and electronic goods require a validated license for export. A validated license is a specific grant of authority to a particular exporter to export a particular product to a certain destination. These licenses are issued on a case-by-case basis for a single export transaction and usually have a two-year validity period. An application for a validated license is made to the DOC's Office of Export Licensing.

The procedure for obtaining a validated export license is somewhat involved, and it is suggested that a first time exporter seek help from the Exporter Assistance Office (under the DOC's Bureau of Export Administration, BXA):

Exporter Assistance Office
US Dept. of Commerce, Room 1099D
Washington, D.C. 20230
Tel: (202) 377-4811.

In addition, the June 8, 1987 issue of *Business America* contains a description of the step-by-step process of determining if a validated license is necessary and how to obtain one.

You can also contact the Boston ITA office. These offices can provide you with expert, detailed guidance on how to prepare the documentation for a validated license. It could take up to 10 to 14 days (or more) to get a validated export license. It is possible to file for a distribution license, so you don't have to reapply each time you make a shipment. Again, you should contact your local ITA office for more information. STELA (Status Tracking Export License Application) was developed in order to check the status of export license applications. This is a new audio response unit that handles requests for status checks (Tel: (202) 377-2752).

Take special care to obtain the correct export license.

IS MY SHIPMENT DOCUMENTED CORRECTLY TO MEET U.S. AND FOREIGN GOVERNMENT REGULATIONS?

Certain documents are required for export shipments. While you don't have to become a documentation expert, you should understand why they are needed and how they are completed and used. REMEMBER, YOUR FORWARDER WILL COMPLETE THE BULK OF THESE FORMS FOR YOU.

Shipper's Export Declaration (SED)

All international shipments valued in excess of \$1,500 (\$500 for shipments through the U.S. Postal Service) need an export declaration form. This is a government document required by the U.S. Department of Commerce whose main use is for compiling aggregate export data. You may get this form from your freight forwarder or larger stationery stores.

The one page form has 24 sections, the exporter must fill out sections 1, 4-7, and 14-24. Most sections are self explanatory and the information requested will be readily available. There are three sections which you may need to investigate:

Section 17: Harmonized System Commodity Number (formerly Schedule B Commodity Number). The 1988 Trade Act adopts and implements the Harmonized System of Tariff Classifications. This system is a universal codification that identifies specific products in international trade. SED's will carry the new HS code in lieu of the previous Schedule B commodity number which was used earlier to compile U.S. product shipment data by country. If you are not sure which HS number your product falls under, seek assistance from your freight forwarder or your local ITA office.

Section 21: Validated License No./ General License Symbol -- if your product does not need a validated license, you need only to indicate the general license symbol. Most products will fall under the code, "G-DEST." However, there are 21 different general license codes, so you should check with your freight forwarder that you have the correct

one. If your product requires a validated license, the license number will be issued by the U.S. Government.

Section 22: ECCN (Export Commodity Control Number) -- this number is the commodity control number for your product. It is necessary only when you have a validated license. Your local ITA office will help you determine your product's ECCN.

You can obtain a publication, *The Correct Way to Fill Out the SED*, from the Boston ITA District Office to help you with this form.

SEE SAMPLE OF SED FORM ON NEXT PAGE

SED FORM

U.S. DEPARTMENT OF COMMERCE — BUREAU OF THE CENSUS — INTERNATIONAL TRADE ADMINISTRATION

FORM 7525-V (1-1-88)

SHIPPER'S EXPORT DECLARATION

OMB No. D607-0018

1a. EXPORTER (Name and address including ZIP code)		ZIP CODE		2. DATE OF EXPORTATION	3. BILL OF LADING/AIR WAYBILL NO.
b. EXPORTER'S EIN (IRS) NO.	c. PARTIES TO TRANSACTION <input type="checkbox"/> Related <input type="checkbox"/> Non-related				
4a. ULTIMATE CONSIGNEE					
b. INTERMEDIATE CONSIGNEE					
5. FORWARDING AGENT					
8. LOADING PIER (Vessel only)				9. MODE OF TRANSPORT (Specify)	
10. EXPORTING CARRIER				11. PORT OF EXPORT	
12. PORT OF UNLOADING (Vessel and air only)				13. CONTAINERIZED (Vessel only) <input type="checkbox"/> Yes <input type="checkbox"/> No	
6. POINT (STATE) OF ORIGIN OR FTZ NO.				7. COUNTRY OF ULTIMATE DESTINATION	

14. SCHEDULE B DESCRIPTION OF COMMODITIES.					VALUE (U.S. dollars, omit cents) (Selling price or cost if not sold) (20)
15. MARKS, NOS., AND KINDS OF PACKAGES					
D/F (16)	SCHEDULE B NUMBER (17)	CHECK DIGIT	QUANTITY — SCHEDULE B UNITS (18)	SHIPPING WEIGHT (Kilos) (19)	
21. VALUATED LICENSE NO./GENERAL LICENSE SYMBOL				22. ECCN (When required)	

23. Duly authorized officer or employee		The exporter authorizes the forwarder named above to act as forwarding agent for export control and customs purposes.
24. I certify that all statements made and all information contained herein are true and correct and that I have read and understand the instructions for preparation of this document, set forth in the "Correct Way to Fill Out the Shipper's Export Declaration." I understand that civil and criminal penalties, including forfeiture and sale, may be imposed for making false or fraudulent statements herein, failing to provide the requested information or for violation of U.S. laws on exportation (13 U.S.C. Sec. 305; 22 U.S.C. Sec. 401; 18 U.S.C. Sec. 1001; 50 U.S.C. App. 241D).		
Signature	Confidential — For use solely for official purposes authorized by the Secretary of Commerce (13 U.S.C. 301 (g)).	
Title	Export shipments are subject to inspection by U.S. Customs Service and/or Office of Export Enforcement.	
Date	25. AUTHENTICATION (When required)	

This form may be printed by private parties provided it conforms to the official form. For sale by the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, and local Customs District Directors. The "Correct Way to Fill Out the Shipper's Export Declaration" is available from the Bureau of the Census, Washington, D.C. 20233.

Shipper's Letter of Instructions

This is a written statement to your forwarder on how to handle your shipment (for example, if you want your forwarder to combine your merchandise with other items being shipped, you would state "Consolidate"). *Prepared by exporter.*

Commercial Invoice

This is a bill used for international transactions. It should include the exporting company's name and address, buyer's name and address, contents of shipment, amount charged (unit price, extended price, and total price), name of carrying vessel, order number, and payment terms. It should also include a detailed and accurate description of the actual goods including trademark/brand information. *Prepared by exporter.*

SEE SAMPLE OF COMMERCIAL INVOICE ON NEXT PAGE

COMMERCIAL INVOICE

DATE:
REF:

SHIPPER:

MARKS:

CONSIGNEE:

SHIPPED VIA:

Item	Quantity	Description	Unit	Total
------	----------	-------------	------	-------

PACKING INFORMATION:

_____ ctns Net Wgt. _____ Gross Wgt. _____

PACKED on _____ pallet(s)

DIMENSION (s) _____ GROSS WEIGHT _____

We hereby certify this invoice is true and correct.

These commodities are licensed by the United States for ultimate destination _____.

Diversion contrary to U.S. law prohibited.

Bill of lading

This is a contract between the owner of the goods and the carrier to move the goods to a specified destination. It acknowledges the freight forwarder's receipt of the shipment from the exporter and is also evidence of payment of freight charges. When a bill of lading is released to the buyer, it conveys title to the shipment. "Straight" bills of lading are non-negotiable. "Shipper's order" bills can be bought, sold, or traded while goods are in transit.

A clean bill of lading means that the merchandise arrived at the destination port in good condition (no defects or damage).

There is a difference between an "ocean" bill of lading and "air waybill" of lading:

Ocean bill of lading -- this is a contract between you and the ocean carrier to deliver your merchandise to a specified location. It lists the ports of loading and discharge and name of the carrying vessel. It is also proof that the cargo has been actually loaded on the vessel.. These bills of lading may be purchased, sold, or traded while the shipment is in transit. *Usually prepared by the freight forwarder.*

Air waybill of lading -- this is contract between you and the airline for delivery of goods to a specified destination. It is signed by the freight forwarder who acts as an authorized agent of the airline (Note: your forwarder must be a member of the International Air Traffic Association, IATA, to act as an authorized agent of an airline). It lists the name and address of the exporter, importer, and forwarder and the airports of departure and arrival. These bills of lading are NOT negotiable. *Usually prepared by the freight forwarder.*

SEE SAMPLES OF BILLS OF LADING ON THE NEXT TWO PAGES

OCEAN BILL OF LADING

SHIPPER/EXPORTER		BOOKING NO	
		EXPORT REFERENCES	
CONSIGNEE		FORWARDING AGENT FMC NO	
		POINT AND COUNTRY OF ORIGIN OF GOODS	
NOTIFY PARTY		ALSO NOTIFY-- ROUTING AND INSTRUCTIONS	
* INITIAL CARRIAGE BY	* PLACE OF INITIAL RECEIPT		
EXPORTING CARRIER	PORT OF LOADING	LOADING PIER TERMINAL	
AIR/SEA PORT OF DISCHARGE	* PLACE OF DELIVERY BY ON CARRIER	TYPE OF MOVE	

PARTICULARS FURNISHED BY SHIPPER					
MARKS AND NUMBERS	NO OF PKGS	HM	DESCRIPTION OF PACKAGES AND GOODS	GROSS WEIGHT	MEASUREMENT

SHIPPER'S DECLARED VALUE \$_____ SUBJECT TO EXTRA FREIGHT
AS PER TARIFF AND CARRIER'S LIMITS REFER TO CLAUSE 18 HEREOF

FREIGHT PAYABLE AT/BY

Land Origin Charges	PREPAID	COLLECT
Port Charges		
SUB TOTAL		
Ocean Freight		
SUB TOTAL		
Port Charges		
Land Destination Charge		
SUB TOTAL		
GRAND TOTAL		

Received the goods or packages said to contain goods herein mentioned, in apparent good order and condition unless otherwise indicated to be transported and delivered, or trans-shipped as herein provided

This carriage is subject to the provisions of the U.S. Carriage of Goods by Sea Act of 1936. All the terms, and conditions of the Carrier's regular form Bill of Lading, as filed with the Federal Maritime Commission, so far as to any shipper or consignee upon request, are incorporated with like force and effect as if they were written at length herein, and all such terms and conditions so incorporated by reference are agreed by Shipper to be binding and to govern the relations whatever they may be between those included in the words Shipper and Carrier as defined in Carrier's regular form Bill of Lading.

IN WITNESS WHEREOF the Carrier has signed and the Shipper has received these three (3) original bills of lading.

Dated At _____ NAME OF CARRIER

MO DAY YEAR By _____ FOR THE CARRIER

B/L No

* APPLICABLE ONLY WHEN DOCUMENT
USED AS A THROUGH BILL OF LADING.

AIR WAYBILL OF LADING

AIR WAYBILL
(AIR CONSIGNMENT NOTE)
NOT NEGOTIABLE

IC No.

11

SHIPPER	<div style="border: 1px solid black; padding: 5px; margin: 5px;">Shipper's Ref No.</div>	CONSIGNEE	<div style="border: 1px solid black; padding: 5px; margin: 5px;">Consignee's Ref No.</div>	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">FREIGHT FORWARDER'S NAME & ADDRESS HERE</p> <p style="font-size: 0.8em;">In Order To Expedite Shipment, Shipment May Be Diverted To Motor or Other Carrier As Per Tariff Rule Unless Shipper Gives Other Instructions Hereon.</p> <p style="font-weight: bold;">HANDLING INFORMATION (Special Instructions)</p>																																																		
	Airport of Departure (Address of first carrier) and Requested Routing *		Copies 1-2-3 of this Air Waybill are originals and have the same validity																																																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="8" style="text-align: center; font-size: 0.8em;">Routing And Destination</th> </tr> <tr> <th style="width: 12.5%;">To</th> <th style="width: 12.5%;">By First Carrier</th> <th style="width: 12.5%;">To</th> <th style="width: 12.5%;">By</th> <th style="width: 12.5%;">To</th> <th style="width: 12.5%;">By</th> <th style="width: 12.5%;">To</th> <th style="width: 12.5%;">By</th> </tr> <tr> <td colspan="2" style="height: 30px; vertical-align: bottom;">Airport of Destination</td> <td colspan="6" style="text-align: center; font-size: 0.7em;">For Carrier Use Only</td> </tr> <tr> <td colspan="2"></td> <td colspan="2" style="text-align: center; font-size: 0.7em;">Vol./Flight/Date</td> <td colspan="2" style="text-align: center; font-size: 0.7em;">Vol./Flight/Date</td> <td colspan="2"></td> </tr> </table>					Routing And Destination								To	By First Carrier	To	By	To	By	To	By	Airport of Destination		For Carrier Use Only								Vol./Flight/Date		Vol./Flight/Date				<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 10%;">Currency</th> <th style="width: 5%;">Chall Code</th> <th style="width: 10%;">WT/VAL PPD</th> <th style="width: 10%;">COL</th> <th style="width: 10%;">OTHER PPD</th> <th style="width: 10%;">COL</th> <th style="width: 20%;">Declared Value For Carriage</th> <th style="width: 25%;">Declared Value For Customs</th> </tr> <tr> <td colspan="8" style="height: 40px;"></td> </tr> </table>		Currency	Chall Code	WT/VAL PPD	COL	OTHER PPD	COL	Declared Value For Carriage	Declared Value For Customs								
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Amount of Insurance				INSURANCE: If shipper requests insurance with conditions on reverse hereof, indicate amount to be insured in figures in box marked "Amount of Insurance"																																																		

These commodities licensed by the United States for ultimate destination..... Diversion contrary to United States law prohibited.

Number of Piece RCP	Actual Gross Weight	Kg. Lb	Rate Class Commodity Item No.	Chargeable Weight	Rate/ Charge	Nature And Quantity Of Goods (Including Dimension or Volume)

Prepaid	Collect	Customer No.	COD *
		122 Airfreight 207 Cartage 129 Inland Freight 134 Handling 124 Insurance 144 Documentation 141 Postage, Communications	To Be Remitted Directly To Shipper I certify goods described below were received for carriage subject to the Conditions On Reverse Hereof, the goods then being in apparent good order and condition except as noted hereon.
			EXECUTED ON (DATE) AT (PLACE) (TIME)
			SIGNATURE OF ISSUING CARRIER OR AGENT
		◀ Total (U.S. Funds)	

COPY 1 - ORIGINAL

Packing lists

These lists help facilitate the clearance of your goods through customs. Packing lists serve as a checklist that the correct cargo has been received and help the buyer inventory the shipment (basically, they are a Commercial Invoice without prices). Information on packing lists should include:

- the number of packages in the shipment
- how the packages are numbered
- the weight and net weight of the packages (pounds and kilograms)
- package dimensions (feet and meters)
- quantity of goods in each package
- contents of shipment
- order number
- place and date of shipment

It is also a good idea to match the commercial invoice against the packing list to make sure the shipment is complete. The packing list should be attached in a waterproof envelope marked, "Packing list," or included in the shipment. *Completed by the person actually packing the shipment.*

SEE SAMPLE OF PACKING LIST ON NEXT PAGE

PACKING LIST

Shipper:

.....19.....
Place and Date of Shipment

Consignee:

Reference No. _____

Under your Order No.....the material listed below
via

Shipment consists of:	Marks
.....Cases.....Packages	
.....Crates.....Cartons	
.....Bbls.....Drums	
.....Reels.....	

LEGAL WEIGHT IS WEIGHT OF ARTICLE PLUS PAPER, BOX, BOTTLE, ETC., CONTAINING THE ARTICLE AS USUALLY CARRIED IN STOCK.

[illegible]

Don't be alarmed at what seems like a sea of documents necessary for exporting, the following documents are not always necessary. In addition, a freight forwarder can handle this documentation for you.

Certificate of origin

Sometimes a customer or country will require a separate specific form certifying the origin of the goods (can often be done on company stationery, notarized). *Prepared by the exporter or freight forwarder.*

Consular invoice

May be required by certain nations (e.g., some countries in South America) to control and identify goods. The form must be obtained from the consulate or embassy of the importing country and usually must be prepared in the language of that country. *The freight forwarder can make arrangements to have this form completed for you.*

Inspection certification

Required by some purchasers or nations, this is a certificate attesting to the specifications of the goods shipped. It is usually completed by a third party.

Dock receipt, warehouse receipt

Used to transfer accountability when the merchandise is moved by the domestic carrier to the port of embarkation and left with the international carrier for export. It verifies that the merchandise has been delivered in good condition. Receiving clerk signs and dates this receipt and gives your merchandise a shipment number (for tracking purposes). *Prepared by freight forwarder.*

Insurance certificate

This certificate states the type and amount of insurance coverage on a form provided by the insurance company. *Prepared by the forwarder or the exporter.*

WHICH FORM OF TRANSPORTATION SHOULD I USE?

Again, a freight forwarder can help you answer this question. However, you should consider the following:

- will my delivery terms with the customer allow me enough time to ship by ocean?
- is the product durable enough to withstand ocean transit?
- is shipping by air for my product more, or less costly than shipping by ocean?
A general rule of thumb is that if your shipment is less than 300 pounds, it will be more cost effective to ship by air
- how are other companies in the industry shipping their products?
- what is my customer expecting?
Ask your customer what type of transportation he is expecting for the goods he is purchasing. It is a good idea to do this BEFORE you set the price (you could bill for the transportation separately, but this could be risky with new customers). If customer is to pay for freight charges, he should decide on how the shipment will be sent.

Remember, while ocean shipping may be less expensive, it does take much longer and is not as safe as air. Via ocean, you should count on at least two weeks for your merchandise to reach a European port and more than a month to reach the Far East.

With air transportation it is possible to reach major European cities overnight. However, you should be aware that passengers, baggage, and U.S. mail have precedence over commercial shipments. Also, be sure to check the delivery time with your freight forwarder. While some freight forwarders have inexpensive air shipping charges, your product may sit in a warehouse until there is space available on a cheap flight. Also, if shipping via air, check if your merchandise is being sent direct or transferred from one flight to another (the more your shipment is handled, the greater the chance of breakage or theft).

IS MY MERCHANDISE PACKAGED AND LABELLED CORRECTLY SO THAT IT ARRIVES IN GOOD CONDITION?

Packaging your shipment

Many small firms do their own packing for their shipments abroad. You should ask your domestic packing company for tri-wall export packing cartons (this is a triple-wall corrugated cardboard box with waxed interior so it is water resistant). Delicate electronic and computer equipment should be carefully packed in wood crates with styrofoam and other special packing materials.

Some freight forwarders offer packaging services and there are firms that specialize in packaging for shipment abroad. If you are not prepared, it is recommended that you have a professional firm do your packaging.

Special precautions should be taken to protect your shipment against breakage, weather elements, and theft. Your merchandise will be loaded and unloaded. It could be dropped, pushed, or dragged, and other merchandise could be stacked on top of it. This makes it necessary to ensure that your merchandise is properly protected against breakage. Weather elements such as moisture could be a problem even in sealed containers in ships. Air cargo may be left unprotected at airports that do not have adequate cargo handling facilities. Be sure that your packages and packing filler are made of moisture resistant material.

Containers can be ordered from most agents of shipping lines. They come in various sizes with 20 and 40 feet the standard lengths. There are special containers for liquids, bulk products, and refrigerated goods. Be sure to check that they can be locked.

Most transportation charges are based on the weight and dimensions of the merchandise being shipped. In addition, some countries charge customs duty based on the gross weight of a

shipment. So, while you want secure packaging, keep in mind the weight of the packaging material since more weight means additional costs to you, the exporter.

Labeling

Labeling your shipment correctly is important because it assures proper handling and identifies the shipment. The following markings should be included:

- shipper's mark
- country of origin ("Made in the U.S.A.")
- weight (in pounds and kilograms)
- dimension (in inches and centimeters)
- package number
- handling marks (international pictorial symbols)
- cautionary markings (in English & language of foreign destination)
- port of entry
- labels for hazardous materials
- packing list

All markings should be made in waterproof ink and be on three sides of the container (usually 2 sides and the top).

WHO PAYS THE SHIPPING CHARGES?

The shipping charges should be negotiated at the time of sale and included on the commercial invoice and any other contract documents. It is usually more convenient for your customer to quote a price that includes transportation costs to his port. A freight forwarder will help you estimate the transportation costs.

F.O.B. (Free on Board)

A customer that agrees to put the goods FOB at some named location will be responsible for all charges incurred from that point on (e.g., "FOB U.S. (airport)" means that the exporter is responsible for all charges up to delivery at the airport, and the customer is responsible for all charges thereafter). The buyer is responsible for taxes, fees, and any damage to the goods after they have been loaded. The term "FOB (your plant)" is not valuable because the customer would have to arrange for inland transportation.

C & F (Cost and Freight)

Exporter pays international transit charges up until the point specified. For instance, "C & F (foreign port)" means that the exporter is responsible for all charges until the shipment reaches the foreign country. The importer is responsible for customs clearance and delivery from the port. DO NOT ACCEPT "C & F (BUYER'S FACTORY)"!!! You don't want to pay duties, taxes, and broker fees in a foreign country. "C & F (foreign port)" is preferred because the customer is responsible for the taxes, inland transportation, custom house broker fees, duties, etc. If a customer insists on "C & F (their factory)," specify that you will not pay duties and fees.

C.I.F. (Cost Insurance and Freight)

Same as C & F with insurance provided by the exporter (most freight forwarders will provide insurance).

IS MY SHIPMENT INSURED AGAINST DAMAGE, THEFT?

You will probably want to make sure your shipment is insured against any loss or damage that may occur in transit. This is cargo (also called marine) insurance and is similar to domestic insurance. You will need your own insurance policy or you can insure your shipment under your freight forwarder's policy.

It is important to clear with the buyer who is responsible for the insurance charges. The sales agreement should specify whether the buyer or seller is responsible for the insurance. There are two basic types of insurance -- normal and contingency.

Normal Insurance

Normal insurance is applicable when it is your responsibility to insure the shipment. This can be obtained by securing a one-time policy to cover the shipment, or an open (continuing) policy which will also cover future shipments. It is recommended that the exporter insure through a reputable, international insurance firm.

Most freight forwarders will also provide insurance. Because the freight forwarder assumes the risk, there is no deductible for the exporter. Don't assume that your freight forwarder will automatically insure your shipment -- you should inquire about the forwarder's policies.

Contingency Insurance

Even if it is the buyer's responsibility to insure the shipment, the exporter may want to consider contingency insurance. This coverage pays for damages when adequate coverage is not provided by the buyer (the premiums on this coverage are reduced a great deal). Your freight forwarder will advise you whether or not contingency insurance is a good idea for your shipment.

HOW DO I GET PAID?

What are the payment methods?

What currency should I be paid in?

How can an international bank help me?

Is there financing available for small business exporters?

How can I reduce my risk?

WHAT ARE THE PAYMENT METHODS?

As with your domestic sales, there are several ways in which payment may be made that vary the risk to you, the seller. The payment method you choose may depend on how well you are familiar with the customer. For instance, if you know your foreign buyer has good credit, an open account may be satisfactory. Payment methods and risk are associated as shown below:

Low risk			High risk	
Cash in Advance	Commercial Letter of Credit	Documentary Collection - Drafts - Direct Collection Letters	Open Account	Consignment Sales

Cash in Advance

The buyer sends you the payment before the merchandise is shipped. Although this payment method is advantageous to you, the exporter, realistically, most of your customers will not want to pay before you ship their order.

Commercial Letter of Credit

This is a document which is a promise that the buyer's bank will pay you or your bank a specified amount of money upon receipt of certain documents. This payment method provides you some protection in that the buyer must have a line of credit or collateral in order to get credit from his/her bank. The buyer's bank is the issuing bank and you or your bank is the beneficiary. Keep in mind that this is a document and the terms on the document must be met EXACTLY for you to receive payment.

This payment method reduces the exporter's risk since he/she is assured of receiving payment from a bank rather than the foreign buyer. It also ensures the buyer that the exporter has complied with the conditions of sale.

Commercial letters of credit can cost between .25%-1.0 % of the amount of payment for the handling charges the bank incurs. Normally, this is charged to the buyer, but you should make this clear before the transaction is initiated. In addition, most freight forwarders will charge around \$22 to handle your letter of credit.

Irrevocable letter of credit -- cannot be changed without the consent of all parties involved; the foreign bank must pay the exporter, even if the buyer defaults.

Revocable letter of credit -- not advisable since it may be altered or revoked without the exporter's permission.

Confirmed letter of credit -- if confirmed by U.S. bank, exporter is still paid, even if foreign bank defaults (you don't have to worry about the foreign bank's credit rating).

Unconfirmed letter of credit -- U.S. bank may wait until it receives payment from the foreign bank before paying exporter.

Bill of Lading date -- shipment must be loaded on this date.

Expiration date -- date you must get all documents to the negotiating bank.

Summary of Steps

1. You agree on terms of sale with your buyer.
2. The buyer arranges for his/her bank to open a letter of credit.
3. The issuing bank (importer's bank) prepares the letter of credit and sends it to the U.S. bank for confirmation.

4. You receive and confirm the letter of credit.
5. You contact your freight forwarder to arrange for transportation and send a copy of the letter of credit to the forwarder.
6. The freight forwarder completes necessary documents when the goods are shipped.
7. The freight forwarder presents the documents to a U.S. bank to check compliance.
8. U.S. bank issues you a check for payment (if confirmed letter of credit) and sends documents to the buyer's bank.
9. Buyer gets documents from the issuing bank and claims goods.

Documentary Collection

Documentary collections are known as drafts or bills of exchange. Basically, they are a contract drawn by the seller on the foreign buyer. The contract is a promise that the buyer will pay the exporter a certain amount of money within a prescribed time limit against stipulated documents (e.g., commercial invoice, certificate of origin, certificate of insurance). Drafts are riskier to the exporter than letters of credit, because the buyer does not put any money up front. It is recommended that the exporter check the credit rating of the buyer before issuing a draft. There are several different types of drafts:

Sight draft -- these drafts require the buyer to pay his/her bank before receiving the documents to claim the goods (similar to a domestic COD transaction):

1. Exporter ships merchandise, prepares all shipping documents, and draws a draft on the importer.
2. The exporter's bank sends these documents and the draft to the buyer's bank, requesting a release of funds.
3. The buyer's bank releases these documents to the buyer **upon payment** of the sight draft.

KEEP IN MIND, IF BUYERS CHANGE THEIR MIND, YOU ARE RESPONSIBLE FOR THE GOODS BECAUSE YOU HAVE CONTROL OF THE MERCHANDISE (TITLE) UNTIL PAYMENT IS RECEIVED.

Time draft -- with a time draft, the exporter is really extending credit to the buyer because payment may be made after the goods are received.

1. Exporter prepares all shipping documents and a draft.
2. Exporter's bank sends these documents and the draft to the buyer's bank.
3. The buyer's bank releases these documents to the buyer who now has title to the merchandise.
4. Once the buyer accepts the draft in writing, he must pay within a certain amount of time from the date of acceptance (buyer can delay payment by not accepting the draft right away).

Date draft -- same steps as a time draft except buyer must pay by the date specified on the draft (buyer cannot delay payment by not accepting the draft).

Direct Collection Letters - A problem with sight drafts is that by the time it passes from your office, to your bank, to the correspondent bank, to your buyer's bank, to your buyer, five to seven weeks can pass before you are paid. Thus, a relatively new payment instrument is becoming more popular, direct collection letters. With a direct collection letter, you can be paid within 10-15 days from the date the draft leaves your freight forwarder's office. It is called "direct" because your freight forwarder completes the paper work (on forms provided by your bank) and sends it directly (via international courier) to your customer's bank. You do need certain banking information on your customer such as the bank's name, street address, city, and telephone. Freight forwarders will charge about \$15 to handle a direct collection letter (the charge for a letter of credit is around \$22).

Direct collection letters have been well received because the customer doesn't have to put any money up front as with a letter of credit. It benefits the exporter because of the fast turn-around time.

Direct collection letters can't be used in certain countries. In addition, they are not recommended for a first time shipment to a customer.

Open Account

You ship the merchandise, send the necessary documents to the buyer and wait for payment. You should check the credit rating of the buyer before agreeing to this payment method. Banks do not become involved in these transactions since the exporter is financing the transaction.

It is recommended that you use one of the following statements for an open account:

Payment must be made by check drawn in U.S. Dollars and payable at a bank in the United States.

Payment is to be made by (mail or telegraphic) transfer to (name and address of your local bank or a bank with an international department) for credit to account (number) quoting the invoice number.

Consignment Sales

You ship the merchandise to a foreign distributor who will sell the goods. Once the goods are sold, the distributor will send you the payment (you do retain title to the goods until they are sold). You should check the reputation and credit rating of the foreign distributor before sending any merchandise.

Some considerations when deciding on payment form

The payment method that is best for your export sale could also depend on which country you are exporting to. If you are exporting to Europe and do some credit check on your buyer first, a direct collection letter is probably your best choice. You should be aware that some importers (e.g., those in West Germany) will be insulted if you suggest that they open a letter of credit.

For shipments to the Far East, letters of credit are the norm. For shipments to Latin America, the Middle East, and India, letters of credit are frequently used. Because of the volatile political climate, it is recommended that you obtain a confirmed letter of credit on a U.S. bank for shipments to Africa.

First time exporters should consult the international department of their bank, their local ITA office, freight forwarder, or other exporters to see what payment methods are recommended for their product to a specific country. Remember, it is important to know what is the acceptable form of payment in that country and which payment method makes selling your product most attractive. Also, the time period for payment, which is a critical part of the sale, can vary across different countries and for different products. While in the U.S. the norm for payment is about 30 days, in Europe it is sometimes 90 days. This should also be investigated before deciding on a payment method.

WHAT CURRENCY SHOULD I BE PAID IN?

You may quote prices and demand payment in U.S. dollars. This places the burden and risk on the buyer to make the currency exchange. If a buyer requests to pay in a foreign currency, consult the international department of your bank which will advise you on foreign exchange risks.

HOW CAN AN INTERNATIONAL BANK HELP ME?

The international department of your bank will be very valuable to you in your export endeavors. If your bank does not have an international department, see if it has a relationship with a larger bank that will assist you with your export-related financial activities. Many of the larger banks with international departments are catering more to smaller businesses. Thus, you may choose to work either directly with the international department of a large commercial bank or indirectly through your own bank.

The services that an international department of a bank offer include:

- **providing foreign exchange services** -- professional traders will provide you with current information regarding currency transactions and can help you hedge against currency exchange risks
- **helping you finance your export sales**
 - letters of credit
 - documentary collections
 - direct loans and financial guarantees
 - working capital guarantees
- **participating in export insurance programs**
 - Foreign Credit Insurance Association (FCIA)
 - Private Insurance Companies
 - Overseas Private Investment Corporation
- **making arrangements with overseas (correspondent) banks to permit them to accept foreign currency checks for immediate payment to you, giving you improved cash flow and guaranteeing the current rate of exchange**
- **conducting credit investigations of foreign buyers**
- **offering credit assistance to your foreign buyer**

In addition, check if the bank is oriented to helping small businesses, whether it participates in state programs, and has any particular industry sector strengths. If you are looking to work with a bank for the first time, use your networking resources for recommendations/ advice.

These resources may include freight forwarders, trade associations, Chambers of Commerce, local business groups, and other exporters.

IS THERE FINANCING AVAILABLE FOR SMALL BUSINESS EXPORTERS?

You might want to obtain financing to help expand your export operations or to extend credit to your foreign buyer. There are several programs available for exporters to obtain financing to conduct research and extend credit. Many of the programs described here are designed to work through commercial banks. Usually a bank will apply on the exporter's behalf for an international financing program. While you don't have to know all the details behind these programs, you should be aware that they exist in order to initiate discussions with your bank (your local ITA office has a free pamphlet, "A Guide to Financing Exports," which will also be helpful).

U.S. Small Business Administration

The Small Business Administration (SBA) offers exporters and potential exporters financial assistance and business development assistance. SBA will guarantee up to 90% of a private lending institution's loan for amounts up to \$155,000, and up to 85% for amounts up to the maximum of \$750,000. The specific type of loan program to be used depends upon the purposes for which the funds will be used and the maturity necessary to ensure repayment. For more information on any of the following programs, you can contact the nearest SBA office.

Regular Business Loan Program

Funds from the regular business loan guarantee program can be used for fixed asset acquisition necessary for business start-up or expansion and for general working capital purposes. To be eligible, the firm must meet SBA size standards for the industry in which it is engaged.

Export Revolving Line of Credit

The export revolving line of credit can be used to penetrate or develop a foreign market and/or finance labor and materials for pre-export production. Professional export marketing advice

or services, foreign business travel or participation in trade shows are examples of eligible expenses related to developing or penetrating a foreign market (This program is essentially a pre-export financing program).

Eximbank-SBA Joint Guaranty Program

This is a program of co-guarantees to small business exporters and export trading companies. These guarantees cover 85% of loans ranging from \$200,000 to \$1,000,000. The proceeds are to finance labor and materials needed for manufacturing or wholesaling for export, and to penetrate or develop foreign markets (e.g., professional export marketing advice or services, foreign business travel, trade show participation, etc.). Request for this financing should come from the exporter's bank.

Massachusetts State Government Export Financing

Massachusetts Industrial Finance Agency (MIFA)

MIFA is the designated agent in Massachusetts for Eximbank's (see discussion below) working capital guarantee loan program. The purpose of this program is to encourage banks and other lenders to make working capital loans to small businesses by guaranteeing repayment of the loan. The loan funds can be used to purchase materials or marketing services. For more information contact:

MIFA
75 Federal Street
Boston, MA 02110
Tel: (617) 451-2477 Fax: (617) 451-3429
Gwen Pritchard, Managing Director

Massachusetts Department of Agriculture

The Food Security Act of 1985 mandates the priority for the Utilization of Targeted Export Assistance resources. This priority is tied to certain commodities and products (e.g., pasta, poultry, wheat flour, raisins, walnuts, citrus and canned fruits) and funding may be available for export promotion of these products. For more information contact:

Massachusetts Department of Agriculture
100 Cambridge Street, 21st Floor
Boston, MA 02202
Tel: (617) 727-3002
Mary Beth Guilfoyle

EXIMBANK Programs

One source of financing is the EXIMBANK (Export-Import Bank). Eximbank is a government agency responsible for helping U.S. companies export by providing loans, guarantees, and insurance. There are several Eximbank programs which might be of interest.

Working Capital Guarantee

This program is designed to assist small businesses in obtaining crucial working capital to fund their export activities (e.g., purchase materials, products, labor for production of goods, foreign business development, marketing, promotion, foreign trade shows). The Eximbank will guarantee 90% of the principle and a limited amount of interest on U.S. bank loans. You can apply through your commercial lender or directly to Eximbank.

Other Eximbank programs are designed specifically to assist companies in the export of U.S. goods and services.

Direct Loans

These loans are extended to foreign buyers of U.S. products. The Eximbank will guarantee 85% of the U.S. export value. In addition, it will guarantee the lowest interest rate possible under a multinational arrangement with the Organization for Economic Cooperation and Development (OECD).

Intermediate Loans

Extended to parties that extend loans to foreign buyers of U.S. goods.

Medium-term Credit

Designed to assist exporters who are facing officially supported foreign competition. This program enables commercial banks to offer fixed-rate financing at the lowest interest rates permitted.

Small Business Credit

This program enables U.S. banks to offer medium-term fixed rate loans to small firms in order to finance their export sales. The interest rates are the lowest rates permitted by the OECD. The foreign buyer must pay 15% of the sale up front, and the loan covers up to 85% of the remainder. In order to qualify, the exporting company must meet the SBA definition of a small business.

For more information on small business credit programs call Eximbank offices at:

(202) 566-8990 (Main Office)

(202) 566-8819 (Vice President U.S. Lending Division)

or write to the EXIMBANK at:

811 Vermont Avenue, NW
Washington, DC 20571

Small Business Advisory Service

This service is provided under the Eximbank to encourage small businesses to export. Call the office toll free to obtain information on export loans, guarantees, and credit insurance programs (1-800-424-5201).

A Map of Eximbank's Programs

This published reference outlines all of the programs offered by Eximbank. To obtain a copy, contact:

EXIMBANK of the U.S.
Public Affairs Division
811 Vermont Avenue, NW
Washington, DC 20571
Tel: (202) 566-8812

Economic Development & Industrial Corporation (EDIC)

Small businesses in Boston can receive export marketing and financing assistance through the EDIC. The EDIC combines direct loans with resources from the SBA and private banks. For more information contact:

EDIC
Financial Services Department
43 Hawkins Street
Boston, MA 02109
Tel: (617) 723-1400

Commodity Credit Program

There are also special loans to assist exporters of agricultural products. These loans are issued through the Department of Agriculture's Commodity Credit Corporation.

Export Credit Sales Program

Designed to provide financing to maintain, expand, or establish new commercial markets for U.S. agricultural products.

Export Credit

Risk protection to U.S. exporters or financial institutions when private credit is extended to finance export sales of U.S. agricultural commodities. For more information contact:

Deputy Assistant Administrator for Export Credits
Foreign Agricultural Service
Room 4079, South Building
U.S. Department of Agriculture
Washington, DC 20250
Tel: (202) 447-4274 Fax: (202) 475-5727

HOW CAN I REDUCE MY RISK?

This section will discuss two types of risks: 1) commercial risks (nonpayment by your buyer), and 2) currency exchange risks.

Commercial risks (nonpayment)

SOURCES TO CHECK THE CREDIT RATING OF YOUR FOREIGN BUYER

- *World Traders Data Report* (WTDR) -- these reports provide credit information about your foreign customer, agent, or distributor. They are prepared abroad by U.S. & Foreign Commercial Services Offices. The information provided includes:

- financial reputation and payment history information
- trade and credit references
- assessment of suitability as a trading partner
- foreign and U.S. firms already doing business with the firm

The reports are \$100 (pre-paid) and take 60-90 days to be compiled. For more information, call the Boston ITA District Office at (617) 565-8571 or write to:

International Trade Administration
World Trade Center Boston
Commonwealth Pier, Suite 907
Boston, MA 02210

- Ask your customer for a financial recommendation from his/her bank. Also, ask the customer if they are doing business in the U.S. now and with whom (you can contact U.S. firms who are currently exporting to this foreign company). Not all companies will provide this information, but the insights that you do receive could be very helpful.

- EXIMBANK has credit information on the foreign firms with which it has done business. It also has access to credit information on foreign firms through its vast network of banks and exporting firms. For more information, contact:

Credit Information Services
EXIMBANK
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel: (202) 566-4690

- Dun & Bradstreet International
Credit Reports
One World Trade Center
Box 803
New York, NY 10048
Tel: (212) 945-0810 or 1-800-932-0025
- Foreign Credit Interchange Bureau (FCIB)
475 Park Avenue South
New York, NY 10016

PARTICIPATE IN AN EXPORT CREDIT INSURANCE PROGRAM

Export-Credit Insurance Program Policies

There are several programs to provide exporters with political (e.g., nonpayment due to war, revolution, policy change) and commercial (buyer defaults) insurance when they have to extend credit to a foreign buyer. These programs are administered by the Foreign Credit Insurance Association (FCIA) or through the EXIMBANK (Export/Import Bank; see the previous section on obtaining financing).

The New To Export Policy. This program is for small or new exporters who have export sales less than \$750,000 per year or no prior FCIA (Foreign Credit Insurance Association) experience. It provides commercial coverage for 95% and political coverage for 100% of the export sale. This program requires you to insure all sales except those whose payment terms are letters of credit or cash in advance. You will have to provide buyer credit information (e.g., WTDR or a bank credit report).

The Single Buyer Export Credit Insurance Policy. This program provides insurance for single or multiple shipments to one buyer. The exporter can select the buyers to be covered under this policy. Coverage is for commercial and political risks. The premium is between \$2,500-10,000 depending on the buyer. "New to export" insureds receive special rates (30% of standard).

The Multibuyer Export Credit Insurance Policy. This program covers most export sales with several coverage options.

The Service Industry Policy. This policy covers services provided by U.S.-based companies in a foreign country (e.g., engineering, construction management, architecture, pollution control).

For more information on these insurance policies, call the Foreign Credit Insurance Association (FCIA) in New York at (212) 306-5000 or the EXIMBANK Small Business Advisory Hot Line at 1-800-424-5201.

FACTOR YOUR FOREIGN RECEIVABLES

Certain companies ("factoring houses" or "factors") and banks will purchase your export receivables at a slight discount (2%-4% less than face value) and assume responsibility for receiving payment from your foreign buyer. These factors act as your credit department and the importer pays the factor, not the exporter. Arrangements may be made either "with recourse" (exporter liable for repaying factor if foreign buyer defaults) or "without recourse" (exporter is free from all responsibilities).

Factoring your export sales allows you to receive immediate payment, thus avoiding the time and expense associated with foreign receivables. For more information on factoring contact the international department of a commercial bank or the Boston ITA office.

Exchange risks

If you are paid in a foreign currency, you should be aware that this currency may devalue or depreciate in terms of U.S. dollars before you convert it. You should consult with the international department of your commercial bank. Banks can provide you with up-to-date information and advice regarding currency exchange rates. In addition, most banks will help you "hedge" against this risk by agreeing to purchase the foreign currency at a fixed price in U.S. dollars.

APPENDICES

Europe 1992: Implications for Small Businesses

U.S. - Canada Free Trade Agreement

International Trade Jargon

EUROPE 1992: IMPLICATIONS FOR SMALL BUSINESS EXPORTERS

The 12 member countries of the European Community (EC) have committed to integrating into a single internal market by the end of 1992. The member countries are: Belgium, Denmark, West Germany, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, United Kingdom, Spain, and Portugal. The single market plan is to have goods, services, money, and people move freely across the borders of the 12 EC countries. New regulations will eliminate duties and tariffs as well as harmonize product standards and guidelines for mergers and joint ventures.

The advice to U.S. companies is to position themselves promptly to get a head start on 1992 and beyond. An exporter to one of the 12 countries will have easier access to other EC countries. U.S. exporters should become familiar with the EC-wide standards which apply to their products. It is advisable for firms to obtain the information and assistance they need to be profitable in Europe.

The Department of Commerce has set up a mechanism to assist firms seeking information about Europe 1992. The network of information and assistance (including having an international trade specialist contact you for a no-obligation assessment of how your firm can profit from exporting to Europe) can be obtained by contacting EUROPE NOW. This program was designed to help small and mid-sized firms to focus on the emerging market opportunities in Europe.

Europe Now
U.S. Department of Commerce, Room 3036
14th Constitution Avenue, NW
Washington, D.C. 20230
Tel: (202) 377-5279

In addition, Trade Development industry experts are assigned to help exporters with the 1992 program. Contact the U.S. Department of Commerce, Washington D.C. 20230:

Textiles and Apparel: Room 3100 (202) 377-2043

Service Industries: Room 1124 (202) 377-3575

Telecommunications: Room 1001A (202) 377-4466

Chemicals, Construction Industry Products, and Basic Industries:
Room 4043 (202) 377-0614

Autos and Consumer Goods: Room 4324 (202) 377-2762

Construction Projects and Industrial Machinery: Room 2001B
(202) 377-2474

Aerospace: Room 6877 (202) 377-8228

Some examples of specific changes that Europe 1992 will bring include the Single Administrative Document (SAD). With the SAD all 12 EC countries use the same customs documents for goods shipped to and within the European community. Free Trade Association countries (Austria, Finland, Iceland, Norway, Sweden, and Switzerland) have also decided to adopt the SAD procedures. The Product Standards Harmonization is a set of mutually accepted essential standards, test data, and certification marks for products sold in the EC. Thus, the same product should be marketable in all 12 EC countries once it has been accepted in one EC national market. In addition, EC Directives mandate the opening of public procurement procedures and the removal of restrictions on trade in services and capital movements.

U.S. - CANADA FREE TRADE AGREEMENT

The U.S. - Canada Free Trade Agreement (FTA) went into effect in 1989 and will achieve its objectives by 1998. The FTA covers bilateral trade in goods, services and investment. It proposes to phase out all remaining tariffs, quotas, and duties between the U.S. and Canada. The FTA is significant because it fundamentally changes the way U.S. and Canadian companies do business with each other. Some examples of the provisions in the agreement include:

- **Tariffs** -- All tariffs will be eliminated by 1998.
- **Government Procurement** -- The FTA expands the U.S. and Canadian government procurement that will be open to suppliers from both countries.
- **Services** -- The FTA assures that the open U.S. and Canadian markets for services will remain that way.
- **Investment** -- The FTA creates a stable and predictable business environment conducive to investment.
- **Border Crossing** -- The FTA streamlines border-crossing procedures.
- **Energy** -- The FTA promotes further deregulation of the energy sectors in both countries (almost all barriers to bilateral energy trade will be removed).
- **Agriculture** -- The FTA eliminates all bilateral tariffs and export subsidies and limits or eliminates quantitative restrictions on some products.

For more information contact:

Office of Canada
U.S. Department of Commerce, Room 3033
Washington, D.C. 20230
Tel: (202) 377-3101

Also, your District ITA Office will provide you with more information.

INTERNATIONAL TRADE JARGON

Advising bank -- the exporter's bank that handles drafts, letters of credit, etc., and keeps the exporter informed as to the status of these documents.

Balance of trade -- the difference between a country's total imports and exports.

Bill of lading -- contract between the owner of the goods and the carrier to move the goods to a specified destination (ocean bill of lading and air waybill of lading).

C & F (Cost & Freight) -- a price quoted C & F means that the exporter pays international transit charges up until the point specified; C & F foreign port means that the exporter is responsible for all charges until it reaches the foreign country.

C.I.F. (Cost, Insurance, & Freight) -- same as C& F with insurance provided by the exporter.

Carnet -- special customs document that allows you to avoid duties when taking commercial samples, advertising material, etc. to member countries for temporary periods of time.

Certificate of origin -- form certifying the origin of the goods.

Commercial invoice -- bill used for international transactions (contains the exporter's and importer's name and address, contents of shipment, amount charged, and description of goods).

Commercial officers -- gather information about trends and trade leads in the foreign countries they work in (can also assist with marketing research, business counseling, country background information).

Convertible currency -- currency that can be bought or sold for other currencies.

Custom-house broker-- licensed to enter and clear goods through customs.

Date Draft -- payment method where buyer must pay by the date specified on the draft (buyer cannot delay payment by not accepting the draft).

Direct Collection Letters -- payment method which allows the exporter to be paid within 10-15 days from the date the draft leaves the freight forwarder's office (the exporter's freight forwarder completes the paper work and sends it directly to the buyer's bank).

Draft -- payment method, a contract that is a promise the buyer will pay the exporter a certain amount of money, within a prescribed time limit, against stipulated documents.

Devaluation -- when the dollar devaluates, it can buy less of a foreign currency (this makes American goods more attractive to foreign buyers since they can get more for their money).

Dumping -- exporting or importing goods that are priced below cost.

Duty -- a tax paid on imports.

ECCN (Export Commodity Control Number) -- this number is the commodity control number for your product. It is necessary only when a validated license is required.

EMC (Export Management Company) -- domestic firms that serve as the export department of several noncompetitive manufacturers. They do not take title to the goods they sell.

ETC (Export Trading Company) -- similar to EMC's except that ETC's do take title to the goods they sell and offer a broader range of services to the supplying manufacturer.

EXIMBANK -- Export/Import Bank is a government agency responsible for helping U.S. companies export by providing loans, guarantees, and insurance.

Factoring -- certain companies (factors) will purchase your export receivables at a slight discount and assume responsibility for receiving payment from your foreign buyer.

F.O.B. (Free on Board) -- pricing term which means that the buyer will be responsible for all charges incurred from that point on (F.O.B. U.S. airport means that the exporter is responsible for all charges up to delivery to the airport and the customer is responsible for all charges thereafter).

Free Trade Zone -- a port where goods may be received, stored, and exported without payment of duties (duties must be paid when the goods leave the free trade zone to other parts of the country that require duties).

Freight forwarder -- arranges for transportation of your merchandise from a specified shipping point in the U.S. to a foreign port or to your customer's location overseas.

GATT (General Agreement on Tariffs & Trade) -- an association of nations whose objectives are to decrease tariffs, quotas, and eliminate trade discrimination.

Hard currency -- a currency whose value is generally strong against other currencies.

Harmonized System Commodity Number -- universal codification that identifies specific products in international trade (formerly Schedule B Commodity Number).

Hedging -- to protect against the dollar decreasing in value relative to the foreign buyer's currency during the period needed to receive payment, the exporter can contract with an international banking department, to sell the amount of foreign currency to be received at a fixed rate.

IATA (International Air Traffic Management) -- a freight forwarder must be an authorized agent of IATA in order to book space for your shipment on air carriers.

ITA (International Trade Administration) -- the primary organization within the Department of Commerce dealing with U.S. exports; there are many divisions under the ITA (ITA district offices are in all states across the country).

Letter of Credit -- document which is a promise that the buyer's bank will pay you or your bank a specified amount of money upon receipt of certain documents.

Packing list -- lists information about your shipment (e.g., number of packages, weight and package dimensions, contents, quantity of goods in each package). These lists are attached in a waterproof envelope marked, "Packing list."

SED (Shipper's Export Declaration) -- a government document required by the DOC for all international shipments valued in excess of \$500 (used for compiling aggregate export data).

Sight Draft -- document that requires the buyer to pay his/her bank before receiving the documents to claim the goods.

Soft currency -- a currency whose value is generally weak compared to other currencies.

Time Draft -- buyer may make the payment after the goods are received.

Trade barriers -- tariff and non tariff; tariff barriers exist when import duties are so high as to make the product noncompetitive in the importing country; non-tariff barriers include standards, quotas and import restrictions, currency limitations, and foreign country laws and regulations.

Trade deficit -- a country has a trade deficit when it imports more than it exports.

U.S. & F.C.S. (United States & Foreign Commercial Service) -- supports and represents U.S. trade interests abroad. There are US & FCS commercial officers in countries around the world, and there are also district offices located in states across the country to assist businesses in their foreign trade efforts.

Warehouse receipt -- verifies that the merchandise has been received in good condition.

